

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Wednesday September 10 1986

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D 8523 B

Mexican inflation fears return to haunt, Page 6

London	100.00	Paris	100.00	Frankfurt	100.00	Geneva	100.00
Stockholm	100.00	Copenhagen	100.00	Helsinki	100.00	Athens	100.00
Madrid	100.00	Lisbon	100.00	Rome	100.00	Naples	100.00
Bombay	100.00	Calcutta	100.00	Delhi	100.00	Madras	100.00
Mumbai	100.00	Colombo	100.00	Singapore	100.00	Manila	100.00
Bangkok	100.00	Yokohama	100.00	Tokyo	100.00	Osaka	100.00
Kobe	100.00	Seoul	100.00	Beijing	100.00	Taipei	100.00
Hong Kong	100.00	Singapore	100.00	Manila	100.00	Bangkok	100.00
London	100.00	Paris	100.00	Frankfurt	100.00	Geneva	100.00

World news Business summary

Coretta King snubs Botha

Coretta King, widow of Martin Luther King, the American civil rights leader, failed to turn up for a meeting with President P. W. Botha in an apparent snub to the South African leader.

Mrs King, criticised by black anti-apartheid leaders for requesting the meeting with Botha in Cape Town, changed her mind at the last minute and said she needed more time to consider South Africa's complex problems.

In Pretoria, three black African National Congress guerrillas were hanged for their part in a bomb attack and a murder, despite last-minute appeals for clemency. Page 4

Beirut kidnapping

The pro-Iranian Islamic Jihad group said it abducted American school teacher Frank Reed in Moslem-held West Beirut, the first kidnapping of a US citizen in Lebanon in 15 months. The group holds at least three other Americans. Page 4

Arab terror threat

Arab terrorists who claimed responsibility for the bomb attack in central Paris on Tuesday that killed one person and wounded 16 issued a violently worded statement from Beirut pledging to widen the "war" against the Government of Mr Jacques Chirac. Earlier story Page 2

Hijacker escape bid

One of four Palestinian gunmen held after the Karak hijacking hit a security guard in a bid to escape from hospital but was overpowered and transferred to an undisclosed location, Pakistani police sources said. General despatches today, Page 4

Iraq raid 'kills 16'

Tehran said 16 civilians were killed when Iraqi aircraft raided an oil refinery and other targets in northern Iran.

Nato mock attack

Nato amphibious forces staged a successful mock assault on southern Norway, landing about 10,000 British, Dutch and US marines in a test of the alliance's ability to reinforce the country in times of crisis.

Brazil strike threat

More than 1.5m Brazilian workers, protesting at the proposed inflation package, are threatening an indefinite nationwide strike from Thursday if demands for salary increases are not met, union sources said. Page 6

Plot warrants

Warrants were signed in London for the arrest of 29 Liverpool soccer fans allegedly involved in the Heysel Stadium riot in Brussels last year in which 39 people died. There will be a hearing at London's Bow Street court to decide whether the supporters can be extradited to Belgium to stand trial.

Mexico quake toll

Almost a year after Mexico's devastating earthquakes, a spokesman for the victims said nearly 45,000 people died in the capital, not 4,800 as previously announced by the Government. Inflation fears Page 6

Women's petition

Margaret Peppard, American-born wife of Greece's Prime Minister, said she planned to collect millions of signatures from women worldwide for a petition calling on the US and Soviet leaders to end the arms race and nuclear tests.

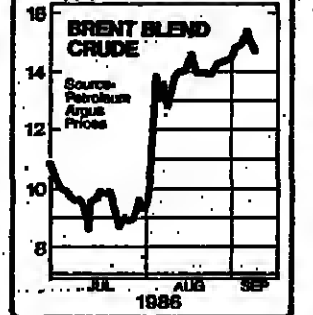
Karpov loses

World chess champion Anatoly Karpov resigned the 14th game of his world championship match in Leningrad against title-holder Gary Kasparov, who now leads 8-4.

Delta Air acquires Western for \$860m

DELTA Air Lines, sixth largest US carrier, agreed to acquire Western Air, Los Angeles-based carrier, through a share and cash deal valued at \$860m. Western holders will receive \$12.50, split equally between cash and stock in Delta.

OIL spot prices fell below \$15 after a report claiming that Saudi Arabia exceeded its production quota last week. Brent crude for October delivery traded for as low as \$14.65 a barrel, about \$1 lower than at the end of last week. Page 36



WALL STREET: The Dow Jones industrial average closed down 4.50 at 1,894.14. Page 46

LONDON: Gilt plummeted in response to poor money statistics but equities remained mostly unaffected. The FT Ordinary share index gained 7.4 to 1,331.1 and the FT-SE 100 picked up 6.8 to 1,673.4. Page 46

TOKYO: Prices were driven lower in light selling. The Nikkei average shed 78.16 to 18,474.00. Page 46

DOLLAR closed in New York at DM 2.0655; SF 1.87975; FF 6.7445 and ¥155.55. In London to DM 2.0600; DM 2.0715; SF 1.8750; FF 6.7300; and ¥155.60. On Bank of England figures the dollar's exchange index fell 0.2 to 110.9. Page 34

STERLING closed in New York \$1.490. It fell in London to \$1.4835 (\$1.4870); DM 3.0550 (DM 3.0690); SF 2.4650 (SF 2.5120); FF 9.9950 (FF 10.0770); and ¥226.75 (¥233.0). The pound's exchange rate index fell 6.3 to 71.1. Page 38

GOLD fell \$4 to \$412.00 on the London market. It rose in Zurich to \$411.50 from \$417.375. In New York the Comex December settlement was \$414.40. Page 38

WILLIAM SIMON, New York's financial and former US Treasury Secretary, has bought Honolulu Federal Savings and Loan, Hawaii's largest thrift institution in a plan to build a network of banking institutions. Page 21

CHASE Manhattan, leading creditor of the troubled Hong Kong shipping group Wah Kwong, set in motion the arrest of one of the company's vessels in New Orleans. Page 29

VOLKER, Dutch construction and dredging company, reported that weaker currency kept net income disappointingly flat at \$1.2m (\$865,000) for the first half compared with the same period of 1985. Page 21

MONTEDISON, Italian chemicals group, is to raise \$582m to finance its recent purchase of a key share of La Fondiaria, the Florence insurer, in a move seen to fight off an Italian financial establishment challenge. Page 21

ALLIED BANCSHARES, Texas bank least affected by the drop in oil prices, expected a \$40m third-quarter loss. Page 21

ARTHUR ANDERSEN, leading international accounting firm, has lost its appeal against a \$17m judgment arising from its auditing of Drysdale Securities. Page 21

BERTHELMANN, expanding West German media group, is set to take full control of RCA's music business in a deal worth about \$300m. Page 22

General Motors to abandon British truck production

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

BEDFORD, the General Motors subsidiary which has built more than 2m medium and heavy trucks in Britain since 1931, expecting 60 per cent of them, is to phase out those operations by the end of this year, its US parent announced yesterday.

The move will result in the loss of 750 jobs and, as the result of a separate decision, 700 more workers will be made redundant in the van plant.

This follows the breakdown last March of GM's negotiations with the UK Government to buy the state-owned Rover Group's Land Rover and Leyland Truck operations, which were to have been merged with Bedford.

This is one of a series of measures being taken by GM to cut worldwide costs which so far have been felt mainly in the US.

In recent weeks GM, the world's largest automotive group, has said it must shed 25 per cent of salaried staff by 1990; cut the heavy truck, manufacturing business in the US; implement redundancies at its GM Fawcett robot-making subsidiary; introduce lay-offs in its Hughes Aircraft aerospace operations; and cut \$4bn to \$6bn from capital expenditure projects by 1988.

Wall Street analysts predict that the group will show a third-quarter loss and show lower earnings per share this year than its major US rivals, Ford and Chrysler.

GM said Bedford, which was profitable until 1980, sustained losses totalling £187m (\$378m) during the past three years and losses were still running at more than £1m a week. "We cannot continue to sustain such losses," said Mr Paul Tosch, Bedford's chief executive.

Bedford's truck plant at Dunstable, north of London, which employed about 4,500 workers at its peak, will be left with about 1,000 to continue with the company's current military trucks contract - which lasts until 1988 - and to produce spare parts and assembly kits for export.

The company is giving up production of bus chassis as well as medium and heavy trucks. It expects job cuts at both the truck and van factories will be achieved by voluntary means.

In June Bedford implemented a voluntary redundancy programme involving 1,700 jobs - 520 at Dunstable, 600 at the Luton van plant, 340 from the Luton press shop and 180 from support and administrative staffs.

GM estimated yesterday that it faces a bill of about £31.5m in redundancy and early retirement costs alone as a result of the two Bedford job-cut programmes.

Bedford made it clear that it will continue in the van business, which has been contributing about 60 per cent of its £1bn annual turnover, and will keep its product engineering group which serves the GM truck and bus group in the US. But its workers will have been reduced from well over 10,000 at its highest to 4,000 by the end of this year.

Its decision will create a yawning gap in the UK heavy truck market - where Bedford sold 6,000 trucks last year - which will be filled mainly by imports, with serious consequences for the motor industry's balance of payments.

Trade unions reacted angrily at the news of further GM job losses and there are to be mass meetings at the Bedford plants today.

Mr Gerry Russell, national executive member of the Amalgamated Engineering Union, said: "This is a stunning blow for the workers and the communities at Luton and Dunstable."

Continued on Page 20 Background, Page 11

Budget ministers agree to limit EEC spending

BY QUENTIN PEEL IN BRUSSELS

THE "DEADLOCK" on the EEC's 1987 spending plans, caused by a split between northern and southern member states over reductions in the budget, was broken yesterday after an all-night session of budget ministers.

Agreement was reached at Yam when the previously united southern states - Italy, Spain, Greece and Portugal, backed by Ireland from the North - split and voted in opposite directions.

The northern states wanted strict limits on spending, whereas the poorer southern states fought for more to be paid out from the Brussels budget.

The ECU 36.95bn (\$37bn) draft budget now goes to the European Parliament for amendment - although its members can add only an extra ECU 50bn to the total.

Nearly 64 per cent of the budget - ECU 22.96bn - will go to agricultural price support for the Common Agricultural Policy, an increase of 3.84 per cent over the 1985 figure.

The real battle was over how far to cut the remainder of EEC spending, on areas such as the social and regional funds (for job creation, training schemes and infrastructure), industrial research, food aid and farm spending on schemes such as hill-farm subsidies.

The biggest cuts agreed yesterday were on the research budget, food aid and the special farm schemes, removing more than ECU 700m from the European Commission estimates.

The northern states, including Britain, France and West Germany, were determined to maintain budget discipline and keep spending growth in those areas to little more than 4 per cent.

Ireland and the southern states, which benefit most from the social and regional funds and from special Mediterranean region programmes, wanted a higher growth rate.

Key to the compromise presented by Mr Peter Brooke, the British Minister of State at the Treasury and chairman of the Budget Ministers' Council, was an extra ECU 100m for Spain and Portugal to ensure they receive a fair share from the budget in their second year of EEC membership. That was enough for Spain at least.

The ministers also agreed to add an extra ECU 50m to the Mediterranean programmes, which persuaded Greece to break ranks and join the majority, leaving only Italy, Ireland and Portugal opposed but lacking enough votes to block the budget.

Greek balance of payments. Page 3

UK buy-out boom threatened

BY WILLIAM DAWKINS IN LONDON

THE VALUE of UK management buy-outs topped £1.2bn (\$1.76bn) for the first time last year, but it is feared that some deals are now failing to come off because corporate vendors are asking too much.

These are among the preliminary conclusions unveiled yesterday of the most detailed ever assessment of this fast expanding phenomenon.

Buy-outs have been catapulted from relative obscurity over the past five years so that they now account for just over a third of the number of all UK takeovers, according to the study by Mr John Coyne and Dr Mike Wright of the Centre for Management Buy-Out Research at the University of Nottingham.

The UK management buy-out market is rather smaller and less developed than its US counterpart, where around \$4.5bn worth of deals are believed to have been completed last year. France has seen a small handful of management takeovers in the past two years, but this kind of venture is almost unheard of in the rest of Europe.

Buy-outs occur when managers purchase the group for which they work, often using its assets as backing to raise the purchase price. Financial institutions usually provide most of the cash, which is predominantly debt, so that the management can put up a small proportion of the purchase price but still end up holding a majority equity stake.

The UK survey records 245 buy-outs last year - more than double the 1979 total - of which 33 were for more than £5m, compared with the average of £300,000 for management acquisitions five years ago.

The acceptance of the management buy-out as an arm of corporate strategy has made significant ground in the UK, say the authors.

However, the study warns that the general rise in share prices and "consistent bullish predictions from the major analysts" have raised vendor price expectations so high that it might get harder to finance some deals.

This is in spite of the huge weight of institutional cash being amassed to finance this type of venture. Three specialist funds alone now

account for £500m. Spicer and Peggler, the accountancy firm which is funding the research with Barclays Development Capital, predicts that £50n of City finance will be available for buy-outs next year.

But the study warns that this mounting of money might just be encouraging vendors to ask managers to pay more, rather than encouraging more buy-outs.

"It has become a remarkably general phenomenon in the UK and is touching virtually all sectors and companies of every size," said Mr Coyne yesterday. But particular impetus was coming from the present boom in mergers and acquisitions, which was producing new conglomerates that needed subsequently to diversify non-core activities.

Mr Coyne said the value of buy-outs had reached £710m in the first six months of this year and could achieve up to twice the 1985 level by the end of 1986, on the assumption that quoted equity prices come down enough to make vendors less demanding.

US-Soviet meeting to go ahead despite spy charge

By Stewart Fleming in Washington

THE US Administration said yesterday that the detention by the Soviet authorities of Mr Nicholas Daniloff, an American journalist arrested on spying charges, would not cause a postponement of next week's meeting between Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, his Soviet opposite number.

However, the State Department emphasized that the Daniloff case did pose a threat to US-Soviet relations and that the Shultz-Shevardnadze meeting would be dominated by it if the journalist was still under arrest at the time.

The US and Soviet foreign ministers are meeting to prepare a possible summit meeting later this year between President Ronald Reagan and Mr Mikhail Gorbachev, which some observers suggest could be postponed if the Daniloff affair is not cleared up to the US's satisfaction.

President Reagan warned the Soviet Union on Monday that, if Mr Daniloff was not set free, this would become "a major obstacle" in the relations between the two countries.

The implications of Mr Daniloff's arrest for the prospects of the proposed US-Soviet summit and East-West relations in general were discussed by Mr Shultz on Monday that, if Mr Daniloff was not set free, this would become "a major obstacle" in the relations between the two countries.

The impact over Mr Daniloff's arrest deepened yesterday when a Soviet United Nations employee, Mr Gennadi Zakharov, being held on spying charges in New York, was indicated as being in a case, which is now being diplomatically with the arrest of Mr Daniloff.

East-West relations were expected to figure high on Mr Geoffrey's agenda in his talks with Mr Shultz. The British Foreign Secretary and current president of the EEC Council of Ministers was also expected to discuss the content and timing of any additional economic assistance against South Africa ahead of next week's EEC foreign ministers' meeting. The new wave of terrorist incidents was also to be discussed.

Earlier yesterday Sir Geoffrey met Mr James Baker, the US Treasury Secretary.

Bonn attacks US over rate cut pressure

BY PETER BRUCE IN BONN

THE West German Government yesterday launched another sharp attack on the US and other Western nations for trying to put pressure on it to cut interest rates and increase public spending in order to accelerate German economic growth.

Mr Gerhard Stoltenberg, West Germany's Finance Minister, warned that such "an artificial fuelling of demand" would only lead to a new wave of inflation and eventual economic instability.

His comments, which cast new doubts over the prospects for an early reduction in West German interest rates, came hours before Chancellor Helmut Kohl met Mr Jacques Chirac, the French Prime Minister, in Paris.

Mr Kohl said the Bundesbank's autonomy had served Germany well and refused to discuss the possibility of an interest rate cut being made at the central bank's policy-making council meeting tomorrow.

Mr Stoltenberg, opening a four-day budget debate in the Bundestag, West Germany's parliament in Bonn, went on to accuse the Japanese of bearing far more responsibility for US trade problems than Germany.

Bonn's expected current account surplus - \$25m - paled next to the \$75m in prospect for Japan. "The figures make it clear," he insisted, "that the actual problem does not lie with the German current account surplus but far more in the

inequality of the balances of Japan and the US."

In a short aside, Mr Stoltenberg himself appeared to cast new doubt on whether the Bundesbank will, as has been widely expected, cut its key Lombard rate tomorrow. The Bundesbank theoretically operates independently of Bonn, but the Finance Minister said that the Federal Government and the Bundesbank practise agreed and consistent policies and judge national and international situations and problems jointly.

"An artificial stimulation of demand, using fiscal and monetary policies as a lever for a stronger international economic revival, would simply pre-programme the next inflationary wave and after that the next crisis of stability," he said. "The experience of the 1970s underscores this assessment."

Mr Stoltenberg avoided saying outright that West Germany would

Continued on Page 20

Rise in lending fuels UK money supply

BY GEORGE GRAHAM IN LONDON

LINGERING hopes of lower UK interest rates faded to a shadow yesterday as rapid growth in bank lending fuelled a further surge in the money supply.

Bank lending rose by £2.5bn (\$3.75bn) in the August banking month, the Bank of England said yesterday. This pushed sterling M3, the broad measure of money which the Government uses as a target, up by 1 1/2 per cent in the month.

Sterling M3 has grown by 18 1/2 per cent over the past 12 months, well above the Government's target range of 11-15 per cent growth.

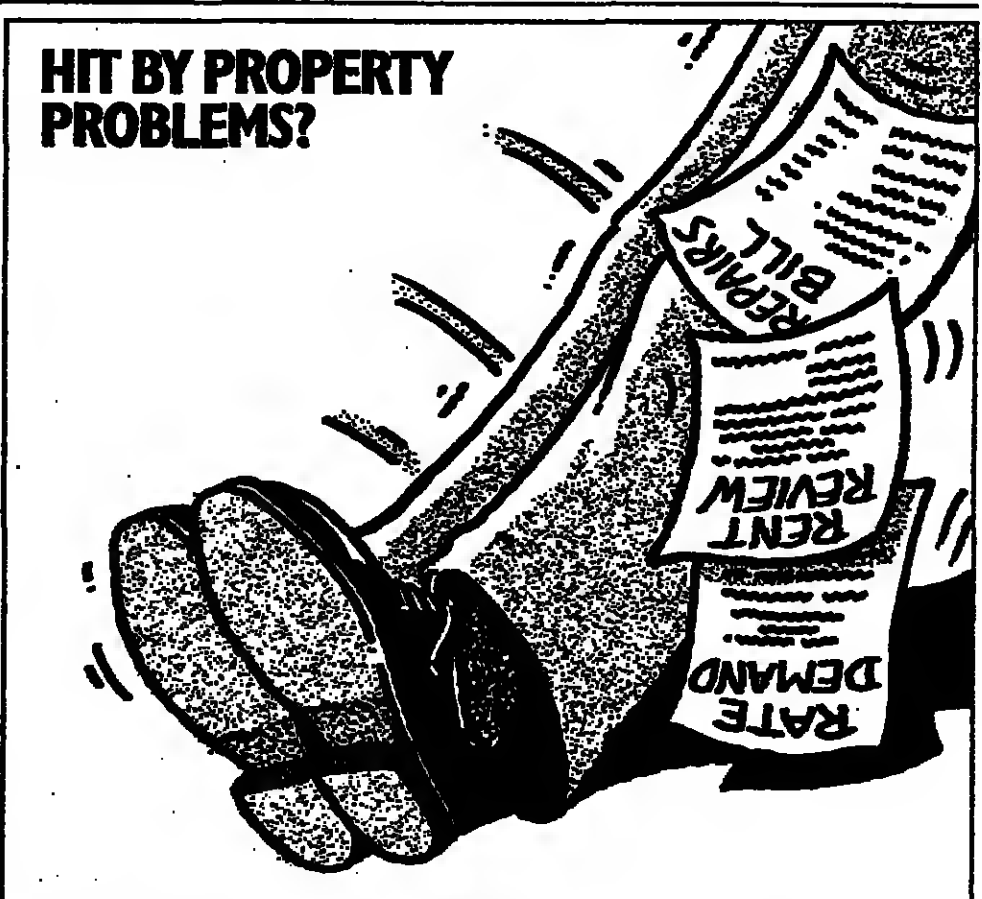
The announcement was worse than London's financial markets had expected and immediately knocked the prices of gilt-edged government securities, which have already been falling this week as

hopes of cuts in West German and Japanese interest rates receded, to their lowest levels for six months. The authorities have been concerned about the steady rise in bank lending so far this year, and yesterday's figures appear to have confirmed their view that there is no argument for lowering interest rates yet.

The case for raising interest rates, however, is thought to be scarcely any stronger, and the authorities are not expected to encourage rates to move in either direction for the time being.

Rapid monetary growth this year has been largely fuelled by lending to the personal sector - in the last

Continued on Page 20



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EUROPEAN NEWS

Yugoslav economic policy criticised

By Aleksandar Ledi in Belgrade and David Buchan in London

THE International Monetary Fund has sharply criticised Yugoslav economic policy in a report circulated to Yugoslavia's foreign government and bank creditors, the parliament in Belgrade was told yesterday.

A deputy governor of the National Bank complained to Yugoslav legislators that an IMF team had been harsher in its report, discussed by the Fund board a month ago, than it had been in comments made direct to Yugoslav officials during an earlier visit to Belgrade.

In mid-May, the IMF ceased direct supervision of the Yugoslav economy under successive standby credit arrangements, but undertook "enhanced monitoring" of the country with periodic reports, for the benefit of official and commercial creditors.

The report is understood to criticise most key aspects of current government policy. The IMF expresses concern that interest rates, far from rising to match inflation, are now about half the level of the 90 per cent a year rate of price rises, that the exchange rate is no longer being adjusted downwards against Western currencies, and that self-defeating administrative controls are being used to tackle inflation.

Warsaw counts cost of joining IMF

By EDMUND PIETRZAK*

THE MARKET-ORIENTED rules and operations of the International Monetary Fund and World Bank are often considered incompatible with economic central planning and a vigorous debate is continuing among Polish politicians and economists as to the balance of costs and benefits from membership.

Benefits are seen to include:

- Access to IMF and World Bank loans and easier access to private financial markets.
- Support for domestic economic reform.
- Help in handling external debt.

Access to IMF loans is tied to the size of Poland's membership quota, set at 680m Special Drawing Rights (\$748m at current rates). Under present guidelines a member can draw on Fund resources up to 800 per cent of its quota, up to SDR 4.08bn for Poland.

As the examples of Hungary and Yugoslavia have shown however, World Bank loans to Poland may amount to more, especially in the short term, than Fund assistance. Bank project aid is sure to be quicker to negotiate than an IMF adjustment programme.

As far as private financial markets are concerned, experience has generally shown that one dollar borrowed from the Fund enables a member to borrow six more from the private markets. Given Poland's severe balance of payments problems, however, the ratio will be less.

Polish officials describe the country's economic reform plan as "very similar to that upon which the Fund's rules and operations are based." Success of the reforms is in the interest of both Polish reformists and the West. Failure, as in the late 1950s and early 1970s, would lead either to abandonment of the reforms or replacement of reformists by hard-liners.

Poland re-joined the International Monetary Fund in June, after a 36-year absence. But the debate about the benefits and drawbacks of membership rages on inside the country. A Polish reform economist spells out the pros and cons.

Poland's external debt position could be helped by mediation by the IMF between Poland and its private and official creditors. The experience of other indebted IMF members shows that this mediatory function of the Fund is beneficial to both creditors and debtors.

Assessing the costs of membership is more subjective. But there are three obligations in the IMF Articles of Agreement which are believed to be especially troublesome for socialist countries. They are:

- The supply of information to help the Fund "understand" a member's economy;
- The goal of currency convertibility;
- A uniform exchange rate.

Socialist countries have never been eager, it is widely thought, to release information about themselves, but Poland is likely to follow the open attitude of Hungary, Yugoslavia and China. It has already given a lot of information to its creditors in rescheduling negotiations, and is unlikely to keep the IMF and World Bank any worse informed.

Under IMF article 8, currency convertibility is a declared goal of Fund members. The IMF is hardly likely to push Poland hard on this issue soon, however, given that only 60 of its members have convertible currencies and 91 do not.

But it has a right to demand some move towards convertibility. It uses the concept of external financial convertibility, by which a non-resident can acquire and hold the currency in question and freely convert it into another one.

This in practice would mean the currency being "commodity convertible"—that is, foreigners would be able to convert their Polish dollar holdings into Polish goods and services.

Even if Poland had the hard currency to make the story financially convertible, it, like other centrally planned economies, could not make its currency "commodity convertible." This is because there is no market in investment goods, which are regulated by plan directives; the principle of a state monopoly on foreign trade and exchange prevents non-residents from having direct access to producers of exportable goods or services; and centrally planned trade with Comcon partners would be disrupted.

A single exchange rate is also impossible because Comcon countries' trade is planned and their currencies inconvertible. But since 1982 the Polish exchange rate structure has been simplified to three rates, two covering transactions with socialist partners and a third, defined in terms of the US dollar, for all other transactions.

There is one further possible disadvantage to membership. Since Poland is likely to seek as much in IMF loans as possible, tight conditionality is certain to be attached to its drawings.

But if traditional IMF criteria were applied to Poland, they might put it under strong deflationary pressure instead of boosting it.

The weakest point of the Polish economy is its low productivity. Any successful IMF programme must increase it.

Edmund Pietrzak is assistant professor at Gdansk University's Institute of Foreign Trade.

Poland signs rescheduling agreements

By Patrick Blain in Vienna

POLAND and its main Western commercial creditors signed agreements yesterday in Vienna rescheduling 95 per cent of its principal debt repayments owed for 1986 and 1987, a Bank of America spokesman said last night.

The rescheduling was agreed in June but the signing ceremony was postponed from August because most bankers were on holiday.

A statement from the Bank said the aim of the new agreements was to assist Poland to "continue meeting its obligations to foreign creditors and to provide a framework under which it is hoped that further voluntary financing will be forthcoming."

Poland joined the IMF in June in a move which the Polish authorities hoped would help to bring about a normalisation of relations with Western financial institutions.

Poland is expected to seek further trade financing and it is hoped that the agreements signed yesterday will encourage more Western banks to take part.

The agreements postpone for four years the repayment of about \$2bn owed for 1986 and 1987, the spokesman said. Poland's total commercial and government debt is estimated at about \$28bn (\$29.9bn).

West awaits Soviet stance on inspections

By SARAH WEBB IN STOCKHOLM

MR OLEG GRINEVSKY, head of the Soviet delegation at the European Security Conference, flew back to Stockholm yesterday after high level talks in Moscow at the beginning of this week.

Delegates at the conference, which has been running since January 1984, and is due to finish next week, are now waiting for an announcement from the Soviet delegation about aerial inspections of military activities.

This follows unconfirmed reports from Moscow last Friday that the Soviet Union would be prepared to allow aerial inspections of military activities inside its territory from aircraft provided by neutral or non-aligned countries.

However, in a statement to TT, the Swedish news agency, Mr Grinevsky said that the Soviet Union had not accepted the compromise proposal of using neutral aircraft for aerial inspection and that this would be both impractical and unworkable.

Mr Elise Schenk, head of the Swiss delegation, and Mr Pierre Aubert, the Swiss Foreign Minister, held private talks with Mr Edward Shevardnadze, the Soviet Foreign Minister in Moscow last Friday.

According to Mr Schenk, Mr Shevardnadze said that the Soviet Union would be prepared to accept the idea of Swiss or other neutral and non-aligned aircraft being used for inspections if this proved indispensable and helped the conference, and if it received the consent of all 35 participating states.

Until now, the inspection issue has been a serious stumbling block at the conference on confidence and security building measures and disarmament in Europe.

"The feeling here is that Mr Grinevsky was fetching instructions, but there have not been any rumours in the corridors about what actually went on," one Western delegate said. The Soviet delegates had neither denied nor confirmed the reports on the talks between the Swiss delegate and Mr Shevardnadze.

Western delegates hope that a statement will be made some time this week, and feel that the blindest occasion is at Friday's plenary meeting, when major papers are presented.

Heater adds: Nato remains confident that an agreement on how to avoid an accidental war in Europe can be reached by the time the conference ends on September 16, but the Warsaw Pact has recently been more pessimistic.

Both the Soviet Union and the US, however, appear determined not to let recent strains in other spheres of the superpower relationship affect the work of the conference.

"We have not heard the slightest whisper in Stockholm about (Nicholas) Daniloff," a Soviet diplomat said, referring to the case of the US reporter charged with spying in Moscow.

President Ronald Reagan has warned Moscow that the case would damage US-Soviet relations and White House spokesman Mr Larry Speakes said: "We will raise the Daniloff issue in every appropriate forum in which we meet the Soviets."

But Nato diplomats said Washington had far too much at stake in Stockholm to raise anything that could jeopardise the talks at this crucial stage.

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Nato to send observers to Pact exercise

NINE NATO countries are to send observers to Warsaw Pact military manoeuvres in Czechoslovakia in response to a rare Soviet bloc invitation. Nato officials said yesterday, New York reports.

The invitation to the West to watch the communist alliance's Druzhba (Friendship) '86 war games today and tomorrow is the first extended to major Nato states since Soviet intervention in Afghanistan in 1979.

Western alliance diplomats see the move as a political gesture by the Soviet camp in the context of the 35-nation European disarmament conference in Stockholm which is edging slowly towards agreement deals on the notification, inspection and observation of military exercises.

Nato (North Atlantic Treaty Organisation) officials said the US, Canada, Britain, Belgium, Denmark, France, West Germany, the Netherlands and Norway had been invited to send observers.

Go-ahead given to re-start Finnish N-plant

By OIE Virtanen in Helsinki

FINLAND'S LOVIISA nuclear power plant yesterday got permission to re-start operations after the cause for a radioactive leak a week ago was discovered and repaired.

Quoting a "series of human errors," Finland's Centre for Radiation Protection and Nuclear Safety said that the main reason for the leak of radioactive water was the faulty position of a safety valve.

Some 17 cubic metres of mildly radioactive water, comparable to rainwater in Finland after the Chernobyl accident, escaped onto the floor of the cooling unit.

At the same time as the leak, engineers detected an unrelated fault at another of the plant's Soviet-built, 445 MW pressurised water reactors.

A main feed pump was changed and the reactor is now also in working condition. No casualties were caused by either of the two faults.

Accused in Dutch housing case denies guilt

By LAURA RAUN IN AMSTERDAM

ONE OF two men alleged to have been involved in a looming housing scandal in the Netherlands denied guilt yesterday to charges of accepting illegal pay-offs from the building industry in return for obtaining inflated state subsidies for housing projects.

The dispute concerns allegations that The Hague may have paid hundreds of millions of guilders too much in housing construction subsidies over the past 18 years. No government crisis is threatened at the moment, but the affair could easily escalate.

Mr Gerrit Broek, the Under-Secretary for Housing, failed to deliver more documents on the subsidy programme to parliament yesterday, but has promised to do so by the end of the week. Pressure is mounting on him to clarify exactly how the subsidies were paid.

The man appearing in Maastricht District Court yesterday argued that payments he received from builders and property developers were legal commissions for his role as agent for the ABP civil servants' pension fund, which is a major investor in housing projects.

A court ruling on the charges is expected on September 9. A second man said to have been involved, a former investment manager, is to hear what charges are filed against him on October 28.

Now parliament is looking into the affair with an eye to launching an official parliamentary inquiry.

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EUROPEAN NEWS

Denmark plans halt to flood of refugees

BY HILARY BARNES IN COPENHAGEN

THE DANISH Government plans to implement a temporary stop to the influx of refugees, who are coming mainly from the Middle East, if it can obtain support from a majority when the Folketing (parliament) reassembles in October. "We neither can nor will accept the present uncontrolled flood of refugees," Prime Minister Poul Schluter said yesterday. He described the situation as "a mass migration" and said the influx was neither in the interest of the Danish people nor of the refugees themselves. Denmark's immigration law is exceptionally liberal. No one who asks for asylum can be turned back by frontier police but must be admitted to the country until a tribunal has considered the case, which can take almost a year. So far, 5,600 refugees have asked for asylum this year, 1,000 more than at the same time last year, when the total for the year reached 8,600. But since August 1, 2,000 refugees have arrived. Mr Schluter said this represented an annual rate of 25,000 a year. When they were joined by relatives later, the total number could be expected to rise to about 50,000.

Greece holds current account deficit to \$1.3bn

BY ANDRIANA ERODIACONOU IN ATHENS

GRECE'S CURRENT account austerity measures, including a compulsory import deposit scheme, introduced one year ago. The authorities are committed to keeping the 1986 current account deficit down to \$1.7bn, compared to a record \$3.3bn last year. EEC receipts in the first seven months of 1986 went up by 84.4 per cent compared to last year, reaching \$369m. Oil import costs fell by 42.3 per cent to \$1,066bn. Total exports went up by 2.1 per cent to \$2,501bn despite a 38.6 per cent drop in earnings from petroleum exports.

Chirac is embarking on a campaign which carries little hope of early victory, David Housego writes Terror puts French Government on war footing

THE RESURGENCE of terrorism in the heart of Paris has unsettled the Government of Mr Jacques Chirac just as it was hoping to reap the rewards of a "cohabitation" that has worked more smoothly than most had expected.

The message that Mr Chirac gave his countrymen before they left on holiday was broadly this: "Relax and forget your worries. Our policies have been put into effect and you will see that they work—notwithstanding the brickbats that President Mitterrand may throw in our direction."

With France back at work, the message remained broadly the same. The Prime Minister's office was last week proclaiming its "complete serenity" in face of the possibility of a further clash with Mr Mitterrand over the controversial Bill redrawing Parliamentary constituency boundaries. Across the river, Mr Edouard Balladur, the Finance Minister, has been quietly preparing a high profile launch of the privatisation programme and the 1987 Budget.

But after Tuesday's bomb explosion in the Paris town hall where Mr Chirac is Mayor, the Finance Minister, has been quietly preparing a high profile launch of the privatisation programme and the 1987 Budget. But after Tuesday's bomb explosion in the Paris town hall where Mr Chirac is Mayor, the Finance Minister, has been quietly preparing a high profile launch of the privatisation programme and the 1987 Budget.

Most French newspapers rallied to the call this morning as did Opposition leaders. President Mitterrand said it was

necessary "to fight terrorism" with mercy. Mr Lionel Jospin, the First Secretary of the Socialist Party, declared that the "nation must close ranks" and Mr Roland Dumas, the former Foreign Minister, warned that France was again the target of international terrorism "and was likely to remain so for some time."

Mr Chirac's problem is that the language of war carries with it hopes of an early victory that he is currently in no position to bring about. He is up against a diverse range of obscure terrorist movements, whose origin and backing are drawn from a wide range of Middle Eastern countries.

At the same time, there is no guarantee that the rhetoric and methods of war—as President Reagan found him taking action against Libya—necessarily achieve the desired results.

The Solidarity Committee with Arab Political Prisoners, which was apparently behind Tuesday's attack—first challenged Mr Chirac on the night of his nomination as Prime Minister by planting a bomb in the Champs Elysees which wounded 28 people. This attack followed a number of others last winter designed to gain the release of three terrorists held in France. The three include Mr Georges Ibrahim Abdallah, the leader of the Lebanese Armed Revolution Faction.

The Government's response was Mr Chirac's pledge in his opening speech to Parliament in April that he would take up the challenge of terrorism by reinforcing both the police and their powers. Mr Charles Pasqua, his Minister for the



Mr Jacques Chirac

Interior, vowed to "intimidate the terrorists." But the police still do not know who lies behind the Solidarity Committee, except that it has support from Palestinian groups based in Damascus. The group's attack on the Paris town hall was clearly intended to portray Mr Chirac's apparent powerlessness.

Mr Chirac had undermined his own position by letting it be known in July that he might be prepared to negotiate the release of Mr Abdallah. He has since backed away from that—partly in response to pressure from the US, where it is believed that Mr Abdallah was responsible for the killing of an American military attaché in Paris. Mr Chirac embarks on his

new campaign torn between a record of conciliation and a policy now of firmness—which lays him open to suspicion from both the terrorist faction and the US with whom he now wishes to co-operate.

The government's difficulties are similar in Lebanon itself where the Administration waits daily in fear of fresh attacks from Muslim militia groups trying to force the departure of the French contingent of the United Nations peacekeeping force. Le Monde recently published a vivid account of the French troops' discouragement at finding themselves such an exposed target to Muslim extremists.

Mr Jean Francois-Poncet, the former Foreign Minister and a supporter of Mr Chirac, said they were now the victim of a trap and should be withdrawn.

Mr Chirac's dilemma is that he cannot pull them out without being seen to abandon Lebanon, which would smack of humiliation. At the same time he cannot get the UN to reinforce its troops in Lebanon or agree to a total withdrawal of the UNIFIL peace force.

French policy almost seems to be dependent on new deaths, which would be unacceptable to domestic public opinion in France and thus force a withdrawal.

Previously responsibility for these had been claimed by the Solidarity Committee with Arab Political Prisoners—an organisation seeking the release from prison in France of three terrorists.

Mr Chirac is also in a tight corner over the issue of the six French hostages still held in Lebanon whose release was one of the priorities of his foreign policy. One of the main television channels, Antenne 2, nightly shows their pictures to remind French viewers that they are still in prison.

Mr Chirac broke with the tactics of his Socialist predecessors who were negotiating directly with Lebanese Muslim groups, opting instead for improving relations and conducting negotiations with government in France and the state it believed held the key. The negotiations have stalled recently over complicated financial issues and the extremist Islamic Jihad are again threatening the lives of the hostages.

France at present feels itself under siege, giving the Government the advantage that criticism of its action suggests treachery. Mr Chirac's opponents are steering well

clear of that. But their continuing silence depends on his success. A taste of the criticism that could emerge surfaced in Mr Dumas's article in Le Monde yesterday which had obviously been written before Tuesday night's attack. The former Socialist Foreign Minister and confidant of Mr Mitterrand blamed blunders by Mr Chirac and his colleagues in recent weeks for again placing France in the eye of the terrorist storm.

Mr Dumas wrote, "an excessive simplification of the complexities of the Middle East, the pressing appetite of the Prime Minister to impose himself... have all led to an impasse. The Government thought it was making progress. In fact the trap was closing in on it."

The resurgence of terrorism will do no direct damage to the Government's image—in fact in the short term it could enable it more easily to rally people to its cause. But it will also push into the background issues of privatisation, deregulation and improving economic performance on which the Government had planned to focus attention.

A further risk is that a "war on terrorism" will revive old habits of authoritarianism among Mr Chirac and his Gaullist followers. This would chime oddly with the present mood in France of consensus and conciliation. Even former President Giscard d'Estaing has been saying that the distance between himself and moderate Socialists is not so great.

US accuses Moscow on biological weapons

THE US yesterday accused the Soviet Union of producing, stockpiling and using biological weapons in violation of a 14-year-old international treaty, AP reports.

The allegations came in a speech by Mr Donald Lowitz, the chief US delegate, on the second day of a conference reviewing the 1972 Biological and Toxin Weapons Accord. The Soviet representative, Mr Viktor Israelyan, denied the accusations and said they represented a US attempt to undermine the 1972 accord.

"The Soviet Union opposes the attempts aimed at undermining the convention by various accusations," he said. Soviet research and development involving micro-organisms and toxins are carried out "with peaceful ends only," Mr Israelyan said.

Mr Lowitz claimed the Soviet Union has "continued to maintain an offensive biological warfare programme and capability, and has been involved in the production and use of toxins for hostile purposes" in Laos, Cambodia and Afghanistan.

Evidence also existed that the Soviet Union had transferred toxin weapons to Vietnam, he added.

President Ronald Reagan made similar allegations in his 1985 report on non-compliance with arms control accords. The treaty under review bans development, production, stockpiling and possession of toxins and biological agents except for peaceful purposes.

Mr Lowitz urged conference delegates to use the three-week session to agree on measures that could "help provide assurance that

activities are not being used as a cover for prohibited activities."

This concern has been raised by other delegates and observers to the conference, who say modern technology such as gene-splicing has made biological weapons more feasible for military use.

Mr Lowitz said some investigations into alleged violations of the 1972 treaty have been impeded, but he did not elaborate. The US has abided by the treaty, and will continue to do so, he said.

Iceland's GNP 'to rise by 5.2% this year'

ICELAND'S National Economics Institute (NEI) has reported that the North Atlantic island's economy is experiencing a boom of even greater proportions than previously estimated, Reuters reports.

The state-operated institute calculated that Iceland's gross national product would increase 5.2 per cent this year, against its estimate of 3.1 per cent in April.

National income would rise up to 7 per cent in 1986, compared with an April prediction

of 5 per cent, it said. "Most of the credit goes to favourable outside factors, but some to the wage negotiators who secured realistic wage contracts last spring," Prime Minister Steingrimur Hermannsson said yesterday.

But Mr Jon Sigurdsson, NEI director, sounded a note of caution. "A year like this happens only once in a great while. It will be a full-time job to protect this year's gains," he said.



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OVERSEAS NEWS

Coretta King bows to pressure and cancels Botha talks

BY ANTHONY ROBINSON IN JOHANNESBURG

MRS CORETTA SCOTT KING, widow of slain US civil rights leader Dr Martin Luther King, yesterday failed to keep an appointment she had requested with President F. W. Botha.

In her letter of apology she expressed "pain" at the local and foreign pressures she has been subjected to since arriving in South Africa for the first time to attend last Sunday's entombment of Archbishop Desmond Tutu.

In a statement issued later Mr Botha said that Mrs King's frustrated attempt at a meeting was "a sad reflection of those who find themselves in a make-believe world of political fraud and who are unable or unwilling to have their actions exposed to the harsh light of reality."

The frustrated meeting and exchange of notes served to lift the veil on the bitter political fighting which has been taking place behind the pomp and circumstance of Archbishop Tutu's entombment in which Mrs King and other guests have been drawn into power struggles within the anti-apartheid movement both in South Africa and in the US.

Before her expected meeting with President Botha two prominent anti-apartheid activists, Mrs Winnie Mandela, wife of jailed ANC leader Mr Nelson Mandela, and the Rev Allan Boesak, a patron of the United Democratic Front (UDF) and president of the 70m strong World Alliance of

Mr Andrew Zondo, a 20-year-old youth who placed a bomb in a crowded supermarket at Amanzimtoti near Durban before Christmas killing five and injuring over 50 people, was among three convicted African National Congress killers who were executed early yesterday morning in Pretoria jail. Appeals by Amnesty International and anti-apartheid organisations that the men be granted clemency and be given prisoners of war status were refused.

Reform Churches declared that they would refuse to have anything to do with Mrs King if the meeting went ahead.

Dr Boesak's hard line on any contact with President Botha is in sharp contrast with the line followed by Archbishop Tutu who has had two meetings with the President in recent months.

Dr Boesak, the leader of the coloured branch of the Dutch Reform Church which has its stronghold in the Cape, was not scheduled to address the 6,000-strong crowd of worshippers. But he went to the rostrum in a successful effort to pacify a group of young township radicals who at one stage threatened to disturb the proceedings.

In his short address, Dr Boesak told the crowd to loud applause that he had brought back greetings from Mr Oliver Tambo, the ANC leader in exile

Gold price rises 'should ease pressure on rand'

BY OUR JOHANNESBURG CORRESPONDENT

THE HIGHER gold price and repayment of most of South Africa's scheduled debt obligations in the first half of this year should ease the pressure on the rand and permit an addition to reserves over the rest of the year, Dr Gerhard de Kock, governor of the Reserve Bank told a meeting of the South Africa-Britain Trade Association.

Every \$50 (£34) increase in the price of gold over a full year adds more than R25bn

(£700m) to the value of South Africa's gold output, he said.

"The recent increase in the gold price, even if sustained, does not mean that South Africa's economic difficulties are over. But it will help in overcoming the harmful effect of existing financial sanctions and should contribute towards preventing the frustration and emotional force behind the present sanctions and disinvestment campaigns from transforming South Africa into some form of siege economy."

Karachi governor denies airport commandos delay



Gen Jehandad Khan: only six to seven minutes

A TOP Pakistani Government official yesterday claimed that it took commandos only six to seven minutes to reach the Pan Am hijacked airliner at Karachi airport last Friday after the hijackers opened fire on the passengers. Earlier the Government had said 10 to 15 minutes were needed.

The new estimate was given by Lt Gen Jehandad Khan, governor of Sindh, the province of which Karachi is the capital, as criticism and confusion grows about the events on Friday night in which 19 people died and more than 100 were injured.

Gen Jehandad said that he had been expecting to have to raid the aircraft from fairly early on in the 16-hour hijacking drama, but that Pakistan would not have permitted the involvement of US commandos who, according to US reports,

John Elliott in Karachi interviews Gen Jehandad Khan, the man in charge of dealing with last week's airport hijack

were en route to Pakistan. Gen Jehandad, who had a distinguished military career before his retirement, was in overall charge at Karachi airport, reporting to Pakistan's President Zia ul-Haq, absent abroad at the Non-Aligned Conference in Zimbabwe, and Prime Minister Mohammad Khan Junejo. He had prior experience of a hijacking two years ago, when an Indian Airlines aircraft was taken over and diverted to Karachi. The aircraft eventually flew to Dubai,

in the Gulf, with its passengers. Gen Jehandad admitted yesterday in an interview that there had been a "major lapse of airport security" when the hijackers managed to drive onto the airport tarmac. Pan Am has now suspended flights to Karachi because of concern over security. He accepted no other criticism and said he believed the operation after the hijacking could not have been better handled.

As Governor, he said, it was not his job to know certain details, such as whether or not the lights on the aircraft went out earlier than expected, and whether or not this was caused by an electrical fault or lack of fuel. The hijackers shot passengers after the lights went out.

He also claimed he did not know if reports that international security agencies had

warned Karachi several days earlier of possible terrorist attacks, including a possible hijacking were true, nor whether the US had told Pakistan it was sending commandos.

It was "his impression" that the US was not sending a Pan Am crew to be available to fly the aircraft out of Karachi should a deal be struck with the hijackers about prior removal of passengers.

A Pan Am spokesman said in Karachi last night however that a relief management crew of two pilots and an engineer arrived in Karachi on a Swissair flight, along with three senior airline executives, a few hours after the end of the hijack.

It appears that there were tensions at the airport between different agencies, including US separatists, trying to control the situation. Gen Jehandad

said a US hijack expert sent from Islamabad was prevented from going on to the tarmac by a specific instruction closing the area.

He denied reports that commandos were 500 yds from the aircraft when the firing started and that it took 10 to 15 minutes for them to arrive. He said there were 300 yards away and arrived in three minutes. Another 20 were further away and the whole process took six to seven minutes.

He stressed that "discussion of these details means we lose sight of the main thing which is that the hijackers' design to take away the aircraft or blow it up, was thwarted, and the civilian government had not been met. In this situation I think we have been very lucky to have 15 to 20 casualties," he said.

American seized in Beirut

By Nora Soutany in Beirut

ANOTHER American was taken hostage in a Moslem-controlled West Beirut yesterday and an anonymous caller claimed that the pro-Iranian fundamentalist Islamic Jihad group had seized Mr Frank Reed in a seatfront area.

Gunmen in a dark blue Volvo accosted Mr Reed, a man in his 50s, and took him away, security officials here said. This was the first abduction of a Westerner in the Moslem-dominated half of the Lebanese capital since Syrian troops helped Lebanese soldiers and police apply a security plan on July 4.

Though the authenticity of such calls remains impossible to verify, the caller told a foreign news agency the group would later send photographs of Mr Reed, the principal of a private elementary and high school—the Lebanese International School.

The statement said Mr Reed was "arrested and found in possession of condemning documents" and charged that he was trying to cover up for his intelligence work through his activities as school director.

An Egyptian gunman holding the Italian consul and three employees surrendered after a two-hour siege of the Italian consulate in Cairo, officials said, Reuters reports.

Tokyo backs SDI in principle

BY IAN RODGER IN TOKYO

THE Japanese Government has expressed its support for the US strategic defence initiative (SDI) in principle, but will neither encourage companies to participate in SDI research programmes nor discourage them.

After 18 months of exhaustive study, the Government has concluded that SDI is a sound programme that does not conflict with Japan's commitments to peace both in the world and in space.

Mr Masaharu Gotoda, Chief Cabinet Secretary, said in a statement yesterday that the Government now proposed to enter into consultations with the US on specific measures to ensure that any participation by Japanese organisations be carried out smoothly.

The main issue in these consultations would be the rights

to use the fruits of any SDI-sponsored research. Foreign Ministry officials said the Government had not yet formulated a position on this issue, and did not know what the US position would be in advance of the consultations. However, they assumed, in the light of the US-West Germany SDI agreement, that SDI technology developed in Japan would be available to Japanese companies for civilian use.

Most of Japan's leading corporations would be in a position to participate in SDI research, particularly electronic and aerospace equipment manufacturers. None the less, most companies, especially those companies in the consumer electronics area, are expected to proceed cautiously into SDI. These companies are particularly anxious not to hurt their

image with consumers by accepting military contracts.

Officials pointed out that there has been no restriction on Japanese companies participating in SDI research to date, but many were waiting for government guidance before making a move in such a delicate area. There were no known cases of Japanese companies already discussing SDI projects with the US.

Also, Japanese companies had expressed doubts about diverting their research efforts to SDI projects, fearing that the commercial returns would be only marginal.

The Government says that despite its support for SDI, it will not put pressure on private sector companies or the relevant government supported research and technology agencies to participate.

Sri Lanka reprisals reported

By Colina MacDougall

AMNESTY International today publishes a report on the disappearance of several hundred people in Sri Lanka in the past 20 months, where guerrilla actions by Tamil separatists has led to apparent reprisals by government forces.

The 86-page report, "Sri Lanka: Disappearances", sets forward detailed accounts by 272 people, none of whom have been seen since their arrest. Witnesses report that many have been shot or have died under torture and secretly buried or burned.

In one case an estimated 100 Tamil men were taken from their villages in December 1984 by military personnel following a report of 85 Sinhalese farmers by Tamil armed groups. These men have not been seen again.

However, one man detained in the same area reported seeing about 100 Tamils led away from an army camp the day of the seizure. Following about 100 shots and a huge fire, his guard commented that the Tamil army was going up in flames.

Torture reported to Amnesty International included burning, beating and being hung upside down for long periods.

Philippine forces end ceasefire

By Samuel Sison in Manila

ARMY UNITS were yesterday ordered by Philippine military authorities to resume the offensive against Communist rebels after attempts by the civilian government of President Corason Aquino and the National Democratic Front (NDF) to work out an early ceasefire fell through.

Mr Juan Ponce Enrile, the Defence Minister, and Gen Fidel Ramos, the chief of the armed forces agreed yesterday to adopt a "no-cessfire" posture as the NDF appeared cool to an immediate 30-day truce offered by government negotiators.

The Government and the NDF had adopted an informal truce when negotiations for a permanent ceasefire started last month.

Mr Enrile and Gen Ramos, who jointly ousted former President Ferdinand Marcos in a military coup in February, are scheduled to meet today with the newly formed National Security Council headed by Mrs Aquino to assess the insurgency.

But the truce reached last week by Mrs Aquino with the secessionist Moro National Liberation Front in southern Philippines was still holding. Other Moslem separatist groups not privy to the negotiations were trying to sabotage it.

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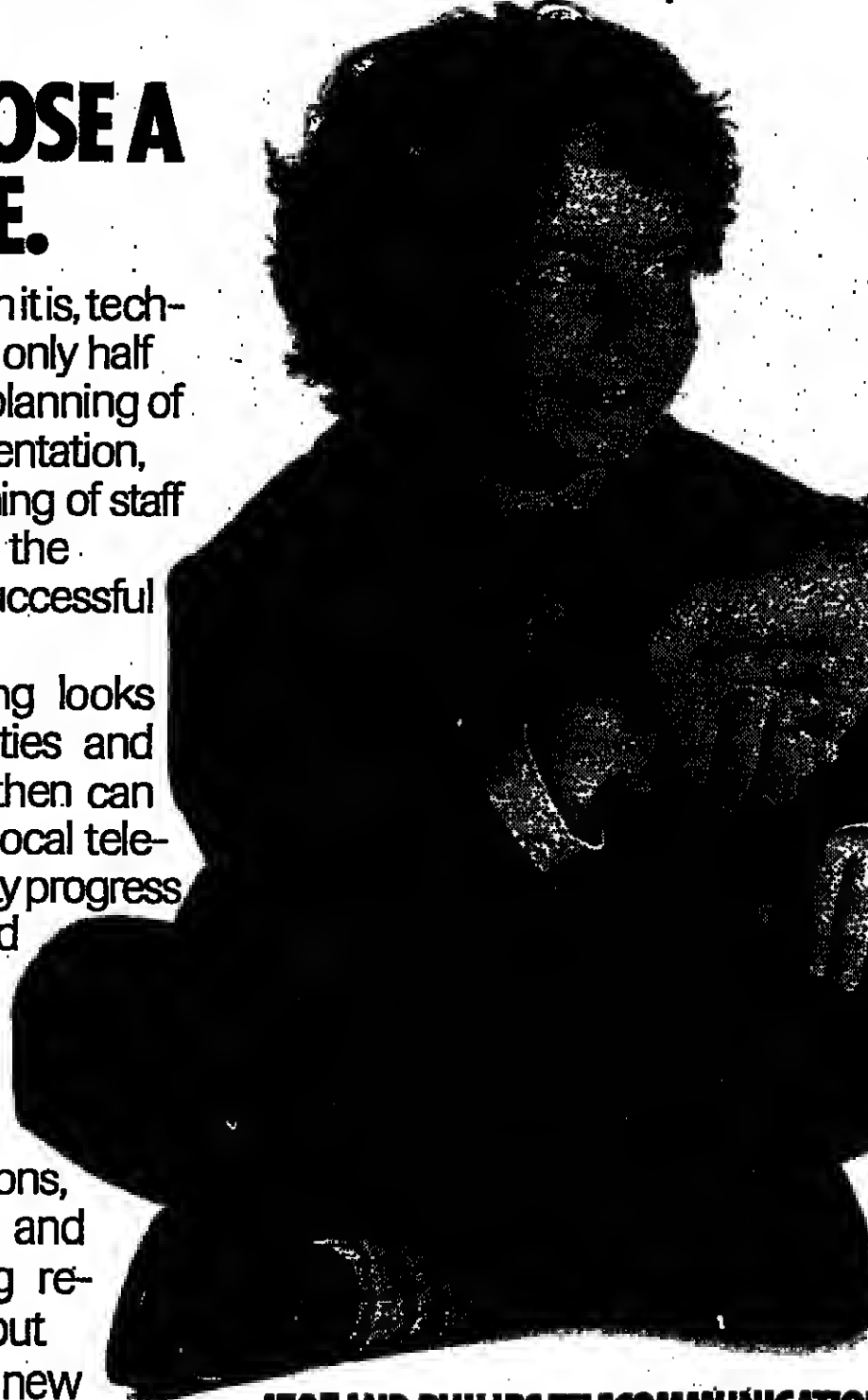
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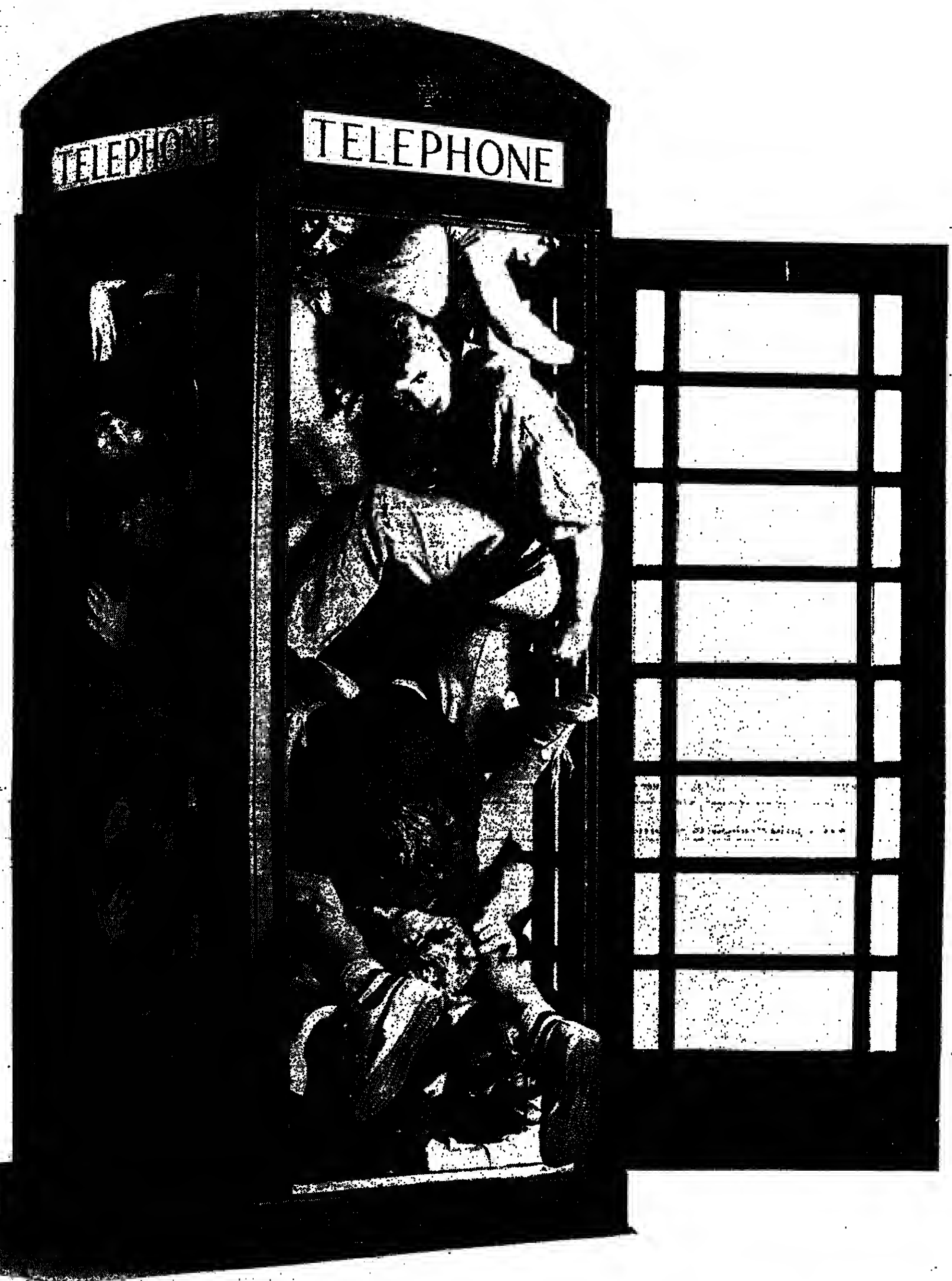
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The Intel microprocessor which is set to have a profound impact on the computer industry and its customers

Compaq set to be first past post

FOR personal computer manufacturers, the 386 represents "a major step up in performance capability, without sacrificing compatibility," says Mike Swavely, marketing vice president of Compaq Computer, the leading US manufacturer of IBM-compatible personal computers.

Compaq is expected to be one of the first major personal computer vendors to introduce a 386-based system. Although the company will not say exactly when it will launch the new computer, industry reports suggest that it may come as early as next month. This would give Compaq an easy lead over IBM, which is not expected to introduce a 386-based computer until next year.

The 386 is ideally suited to the personal computer market because it can run the wealth of software applications designed for the IBM PC, but IBM's... tardiness...

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WORLD TRADE NEWS

US makes services issue an article of faith

IN THE eyes of the US, a world trading system that does not include rules for opening markets to service transactions is a system not worth having.

The US has made the liberalisation of trade in services through the General Agreement on Tariffs and Trade almost an article of faith. Officials warned again at a meeting of the trade super-powers last weekend that the US Administration will not stand aside and watch the new Gatt negotiating round due to be launched next week without that commitment on the agenda.

It is a serious, if familiar, threat that hangs over the world's trade ministers, as they come up to the starting line in Punta del Este, Uruguay. For the question of services, along with that of agricultural subsidies, is more than just an excuse for American rhetoric.

The US has collared the support of the European Community (with Britain showing the most genuine enthusiasm) and can count on the Japanese and on free traders like Singapore in Asia. Over the past four years it has also bullied or coaxed other developing countries into talking about services in the margin of the Gatt.

But it has failed to persuade an important minority, which includes India, Brazil, Argentina and Nigeria to take the final step of recognising Gatt's jurisdiction in this "new" area that accounts for an esti-

ated quarter of the \$2,000bn a year of world trade.

Afraid of what it will do to their balance of payments and to their own infant service companies, the less developed countries in general regard the US demand as a diversion from the real business of the meeting.

For them—and especially for the big debtors—the Gatt round is mainly about reopening the rich markets of the West to their manufactured goods and restoring world prices of the agricultural commodities on which so many of them depend.

Services trade is one of four new issues that the US has put on the table: the others are

High technology has been included because, as Mr Yeutter said, it is "an increasingly vital component of American production," and because it is a particularly popular target for generous domestic subsidy among new competitors emerging to challenge American dominance.

The three texts to be considered at Punta del Este show how far from being resolved the question of the "new issues" is. The main draft declaration for ministers has square brackets around each of the headings.

Its authors, Colombia and Switzerland, consulted widely

examining the adequacy of Gatt rules and elaborating "as appropriate" further disciplines.

The text on services tries to modify the opposition by saying that negotiations to create a framework of principles and rules should increase transparency and liberalise trade but should do that with regard to the growth and development concerns of developing countries.

It recognises the "general objectives" of national laws and the work of other organisations. This latter reference acknowledges the fact that most of the less-developed countries (LDCs) regard the UN Commission on Trade and Development (Unctad) as the proper place for discussing services.

Finally, the draft leaves the door open on implementation by saying that the 82 contracting parties of the Gatt will decide whether or not to write the new framework into the Gatt system.

The opposition's draft, prepared by Brazil and supported by nine others, makes its point by leaving out all reference to new issues. But Argentina, which is one of the group of ten hard liners, has put up a lengthy amendment referring to services but not to the other new topics.

This amendment invites ministers to make a quite separate decision that puts services firmly on a separate track. They would either be a subject



Clayton Yeutter

Japanese warn over 'bashing' from Europe

BY IAN RODGER IN TOKYO

JAPAN FEARS that the Punta del Este meeting will inject a "Japan bashing" clause into the ministerial declaration of a new round of trade talks.

Japanese Foreign Ministry officials say the country might walk out of the trade talks if such a clause were adopted. They recognise that withdrawal by Japan would leave a significant gap.

They say a Japan bashing clause has been proposed by the European Community. It would not mention Japan specifically but would say that there should be a "balance of benefits" to members of Gatt, and would be used to punish Japan for resisting imports while benefiting from the freedom to export provided by Gatt.

Foreign Ministry officials say anything that singles out Japan would be a "balance of benefits" clause because it would increase Japanese resistance to structural reforms under way to make its economy less dependent on exports.

Apart from this potential problem, Japan supports fully the most popular draft ministerial declaration presented by Colombia and Switzerland. It is committed to a multilateral trading system and believes the Gatt system has become danger-

ously enfeebled by a plethora of voluntary restraint agreements, bilateral arrangements and protectionist measures.

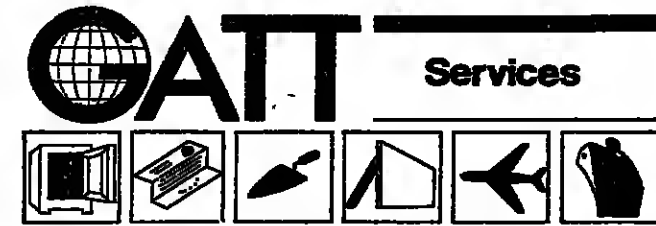
Officials singled out the proposed free trade arrangement between Canada and the US and the limitation by France of Japanese cars to 3 per cent of the market as examples of trends.

Japan welcomes the draft declaration's aim to broaden Gatt's coverage to services, intellectual property and agriculture.

Foreign Ministry officials acknowledge that Japan's agricultural sector has some highly subsidised and protected elements and that they would suffer from new multilateral rules.

Tokyo hopes that the issue of South Africa's presence in the next round will not be disruptive, and counts on the Uruguayan chairman of the Punta del Este conference to influence the South Africans and the other delegations to prevent this.

Japan also believes that the Soviet Union's request for entry is premature because its system is incompatible with Gatt rules, but it believes that in the longer term, Soviet membership should be accepted.



intellectual property rights, foreign investment, and trade in high technology goods. It is a provocative agenda that seeks to bring important areas of sovereign legislation under the scrutiny and control of an international body.

Patents, trade marks, copyright and counterfeiting are included for self-evident reasons. Foreign investment is there because of what Mr Clay-

Christian Tyler looks at the issue of services in the talks to launch the new Gatt round—a question which has sharply divided some of the contracting parties

ton Yeutter, the US Trade Representative, called earlier this year "the dampening and distorting impact on world trade" that government policies on foreign direct investment, he said, were comparable to the effects of tariff barriers and such non-tariff barriers as quotas and export subsidies.

What Mr Yeutter had in mind are the kind of stipulations made by developed and developing countries alike that some proportion of a foreign company's manufacture in the host country must be bought or made locally, or that some minimum amount must be exported.

In Geneva in order to produce a draft with majority support. But they were unable to find acceptable language for the new topics. That task will fall to their political leaders next week.

On high technology, the draft merely says that negotiations "shall aim to reduce or eliminate tariff and non-tariff barriers." The foreign investment paragraph talks about

and non-ferrous metals, Mr Pankin said.

The Soviets have approached Gatt because "its activities increasingly influence the international trading environment," Mr Pankin told a news conference. "This process affects concrete economic and commercial interests of all countries, including those of the Soviet Union."

Four Soviet Bloc countries — Poland, Czechoslovakia, Hungary and Romania — are Gatt members, but the Soviet Union is considered a more difficult case because of the size of its economy.

Mr Pankin, in Geneva to attend a United Nations conference, said East Germany

and the Soviet Union were the "only two major trading nations" outside Gatt.

Soviet efforts for "a fundamental restructuring of the external economic management system" stem from decisions taken at the last Communist Party congress and are at "their very, very beginning," he said.

Before the recent initiative, the Soviets had sought since 1982 to build support among Gatt members for being granted observer status.

Mr Pankin said a majority of members supported Soviet participation in Gatt affairs but acknowledged that the organisation traditionally makes decisions by consensus.

UK insists on inclusion of hidden farm subsidies

A BRITISH Government official told the European Parliament yesterday that "Europeans must insist" that all forms of hidden farm subsidies be included in the trade negotiations, AP reports from Strasbourg.

Mr John Gummer, junior Minister of Agriculture, was speaking for the British chairmanship of the EEC's governing Council of Ministers during debate on a resolution calling for the abolition of food export subsidies. The resolution will be voted on later this week.

"In Gatt, we must apply the same rigorous standards to other countries' trade practices

as they do to ours," Mr Gummer told the parliament.

He said the US, which criticises European farm-support programmes as uneconomic and disruptive, could not claim to be innocent of subsidising its farmers.

He acknowledged that the EEC's generous farm support programme contributed to a disruption of world food trade, but said "it is a perfectly reasonable, rational system."

Mr Gummer said he was worried that this year's poor grain harvest in Europe may serve as "an excuse" for doing nothing to control the rising growth of food surpluses.

Soviet move linked to membership attempt

THE SOVIET UNION decision to allow state companies to conduct foreign business in their own under new economic policies was linked to a bid to enter the Gatt by a Soviet trade official yesterday, AP reports from Geneva.

The role of state trading organisations will be reduced to allow Soviet enterprises to "freely enter into markets," said Mr Mikhail Pankin, head of the department of international economic organisations at the Soviet Foreign Trade Ministry.

He rejected western reservations about Soviet membership in Gatt, saying that the Soviet mechanism of ex-

ternal economic management as a whole does not contradict the Gatt principles, rules and practices."

Mr Clayton Yeutter, the US Trade Representative, reiterated last week that Washington was unlikely to agree to Soviet entry unless Moscow moved towards a market-oriented economy.

Mr Pankin noted that last month the Soviet Union applied to participate in the next round of international trade talks under Gatt to "gain the experience required" for membership in the organisation.

Moscow is interested in discussion areas such as civilian aircraft, fisheries, forestry

and non-ferrous metals, Mr Pankin said.

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Delors voices fears of greater tension

BY DAVID LENNON

EUROPE'S growing impatience with Japan's failure to open up its markets to foreign products was underlined by Mr Jacques Delors, president of the EEC, in a message to an EEC-Japan industrial co-operation symposium in Brussels yesterday.

"I cannot hide my fears of a risk of greater tension between Japan and the Community if nothing were to change," he said, referring to "the absence of concrete results" despite promises by Tokyo.

Mr Delors welcomed the personal commitment of Mr Yasuhiro Nakasone, the Japanese Prime Minister, to carry through the recommendations for structural adjustment which were contained in the Machiwa Report published in April.

This report underlined the necessity of bringing Japan's economy into harmony with its main trading partners, notably by opening up Japan's market to foreign goods by developing domestic demand and re-orienting consumption patterns.

Mr Karl-Heinz Narjes, the Commission's vice-president, declared in a statement that what had not changed over the past few months was the EEC's bilateral trade deficit with Japan. "Indeed, the deficit has grown substantially since the beginning of 1986," he said.

This disequilibrium requires



Jacques Delors, President of the EEC Commission

structural measures if it is to be altered, he noted. Industrial co-operation could provide the key to the much-needed acceleration of the process, he said.

"Industrial co-operation is a two-way street and Japan must accept that it has to play the same game, with the same rules, in its own market as in other markets," he declared. "Many in Europe still remain to be convinced of Japan's willingness to do so."

Lisbon blames trade war for drop in exports

PORTUGUESE Prime Minister Anibal Cavaco Silva said before meeting President Ronald Reagan yesterday that his country was the victim of a trade war between the US and the European Community, AP reports from Washington.

He told a news conference before a courtesy call to the White House that Portuguese exports to the US had dropped since Lisbon joined the Community in January.

"It's not fair," he said. "We do hope for a positive approach from the United States."

He called Portugal a voice of moderation on trade issues, but said it had been caught in the middle of a row over tariffs on US grain exports imposed when Portugal and Spain joined the Community.

Cavaco Silva also said he opposed aid for rebels fighting the governments of former Portuguese colonies Angola and Mozambique, and urged dialogue instead.

The Reagan administration has stepped up aid to the rebel National Union for the Total Liberation of Angola (UNITA).

"We would like Angola and Mozambique to be just domestic problems and not part of the regional conflicts between the superpowers," he said.

Cavaco Silva said he did not believe trade sanctions against South Africa would end apartheid.

The Portuguese leader was also due to meet Secretary of State George Shultz yesterday before leaving for New York.



IN THE FT EVERY FRIDAY

Venezuela looks to new fuel to boost crude sales

VENEZUELA'S national oil company hopes that tests to be carried out at a Canadian power station will provide it with a new market for its low-priced heavy crudes.

Petroleos de Venezuela will begin commercial tests of an emulsion of heavy crude and water as an alternative fuel at the New Brunswick Electric Power Company in Canada.

If the tests are successful, Venezuela hopes that it will be able to sell its low-priced heavy crudes as a "liquid coal" which could compete with coal as a fuel on international markets.

The use of low-grade, unprocessed Venezuelan crude oil in generating plants could represent important savings in fuel costs.

In the tests, to be carried out at the Dalhousie generating plant, a mixture of unrefined oil

and water will be used to fire a 100 MW generating plant. The crude being used is designated as "Cerro Negro" from Venezuela's Orinoco heavy oil belt. A vast reserve of heavy and extra-heavy petroleum, but the mixture to be used reportedly would be 27 per cent water and 73 per cent crude.

The Orinoco heavy oil belt, with reserves estimated at more than 1.2 trillion barrels of extra-heavy crude, is one of the world's largest hydrocarbon deposits.

The crude oil being used comes from experimental production blocks in the Cerro Negro zone north of the Orinoco river.

The Canadian tests, financed by Petroleos de Venezuela, are expected to provide information about the costs involved in using the crude directly as a fuel.

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DECLARATION OF FINAL DIVIDEND (No. 77)
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In accordance with the Standard Conditions relating to the payment of dividend No. 77 declared on 19 August 1986, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of exchange of 13.504014 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittance between the Republic of South Africa and the United Kingdom on 8 September 1986, as advised by the Company's South African bankers.

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AVIATION & GENERAL INSURANCE COMPANY LIMITED

ANNOUNCEMENT THAT MR. C. H. CRAVY JEFFE will retire as general manager and chief underwriter on 30 June 1987, being the date of his 65th birthday. Mr. JEFFE's knowledge and expertise will remain available to the company as a consulting member of the Board.

AVIATION & GENERAL further announce that by mutual agreement with the Marcelline and General Reinsurance Company Ltd, MR. PETER CLAWFORD, F.C.I., will be appointed deputy general manager and deputy chief underwriter of the company with effect from 1 April 1987 and will succeed Mr. JEFFE when he retires.

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UK NEWS

Ian Hamilton Fazey reports on a worldwide payphone winner Plessey rings up a success

WITHIN two years of taking over from GEC as the supplier of Britain's payphones, Plessey has found itself with an international winner on its hands.

The "intelligent" payphones it has developed, unlike their predecessors everywhere in the world, make money; they are now being installed by 25 telephone companies in 18 countries.

In some Gulf states - where it was previously impossible to dial an international call from a public telephone-box - the payphones have been paying back on an investment of up to £200 each in only eight to 10 days as foreign workers have queued to telephone home.

For Plessey, sales have doubled in the last 12 months and there is no sign of growth abating. Trials are being conducted in yet more countries and a solar-powered cellular version is expected to expand the market dramatically in Third World countries.

At present, there are about 6.5m payphones in the world, with the US and Japan accounting for about 2m each. Most, however, are for local calls only and nearly all are based on old technology. All the sophisticated electronic gear is in the telephone exchange.

Payphones have usually been more trouble than they are worth - prone to theft, vandalism and general abuse. Since many are out of commission for much of the time, no telephone company has been making money out of them and usually they have been maintained as a social service only.

Plessey's payphones have changed that, with their anti-vandal design coupled with highly advanced technology to improve the service.

The robust construction has made it possible to risk putting sophisticated circuitry into the payphones, so international direct dial-

ling is a standard feature, as is a self-monitoring system that signals for maintenance if anything goes wrong.

It is long-distance calling that has made a dramatic impact in many countries. In Mexico, for example, there are 70m people but only 3m private telephones. Public telephones, imported from the US, are for local calls only.

For trial purposes, Plessey installed two of its new payphones outside the main post office in Mexico City. There were queues throughout 24 hours a day for both. Mexico is now one of the countries that will be replacing its old ITT phones with Plessey models in a planned programme.

Plessey telephones are being installed by British Telecom in a three-year programme to modernise all its 76,500 public payphones by the end of 1987. The telephone kiosks are also being replaced over the next four to five years - a total investment of £160m.

BT is installing two types of Plessey also payphones and one Phonocard telephone, which does not accept cash but a pre-paid debit card. Although these phones will not accept calls via the operator, except to the emergency services, and the cards have to be bought in advance, BT says the response has been "absolutely tremendous." It plans to have 19,000 Phonocard kiosks.

BT also has on trial at Heathrow airport and Waterloo railway station in London 36 payphones which accept credit cards, but it says it has yet to assess demand and decide whether to extend the service.

At the same time, the familiar red kiosks are making way for

half a dozen less distinguished styles which BT says are less prone to vandalism, easier to clean and offer better access for disabled people.

The red kiosks, designed by Gilbert Scott in 1936, are as much a symbol of Britain as a policeman's helmet or Mr. Bee but are known practically to BT as EKs. Already, conservationists are clamouring for their retention and, in a few places, they will be allowed to remain.

BT claims that 80 per cent of its payphones are working at any one time and hopes that the more vandal-proof blue payphones and the Phonocard kiosks, as they do not have cashboxes, will improve on this.

But it admits that its problems with "organised gangs of thieves who become more devious" as the anti-theft technology improves. It cut losses on the payphones from £62m in 1984-85 to £20m last year and says its purpose is to be "profitable as soon as possible."

In the US, where extensive trials have been under way and trials worth have already been sold, Plessey is discussing replacement of existing installations with several of the 29 local operating companies to which Bell was broken up four years ago. It operates through Stromberg Carlson, its US subsidiary, and this is the name that appears on telephones there.

In the Far East, Masco has been quick to install some of the phones and Mr Peter Brown, managing director of Plessey Telecommunications Products, the subsidiary involved, is waiting now for confirmation of an order from Hong Kong. Mr Brown says: "The payphones market has been dormant all over

the world for many years. Most of those in the US are based on a model designed by Bell in 1952. We have something which is proving a winner. Sales have been accelerating continuously since we decided to go international 18 months ago."

The design is already familiar throughout Britain, as British Telecom replaces the 76,500 outmoded GEC phones with Plessey models.

Although it may still seem that too many of even the new ones keep flashing up the message "999 emergency calls only" when the handset is lifted, the telephones are not usually out of order because of breakdown. Their failure demonstrates success.

The telephone monitors its own cashbox and when it is 70 per cent full it signals British Telecom's maintenance department that it needs emptying. If this is not acted on before the cashbox fills, the telephone cuts off further coin operations until the money collector comes.

The key to the new design was to separate the cashbox from the telephone.

The cashbox is steel, with a removable steel safe within it. It takes 22 minutes to break into it using axes and sledgehammers wielded by strong men. During this time, the telephone signals back to the exchange that it is under attack. In Manchester, thieves have already been caught red-handed.

Mr Brown expects the credit-card versions of the phones to catch on too, along with debit card phones, where a pre-paid card is purchased.

He sees only two main competitors for the worldwide market - the Japanese companies Tamura and Umitsu. But these two are busy with their large domestic market. For Plessey, with a small British home market, attacking world markets has been essential to achieve economies of scale.

BBC leaves expansion of radio services to rivals

BY RAYMOND SNOOPY

THE BBC yesterday declared an end to the future expansion of its radio services.

Mr Brian Wenham, the recently appointed managing director of BBC Radio, said yesterday he expected most new radio services in future to be non-BBC and either community or commercially led.

Mr Wenham told the Radio Academy conference in Glasgow

that the BBC welcomed new outlets for radio in the UK, even though the corporation's share of total audience would inevitably fall.

He said: "The likelihood of BBC radio services expanding is extremely small." The chances of sensible consolidation were, however, good.

The BBC executive also warned that popular music and sport would

have to be carried on Radios 3 and 4 if Radios 1 and 2 were sold off, as recommended by the Peacock Committee, a Government appointed inquiry into the funding of the BBC.

Mr Wenham said he had no intention of endangering the strengths of Radio 3 and 4, but if the BBC was forced to do less radio there would have to be "adjustments."

It would be illogical for the BBC

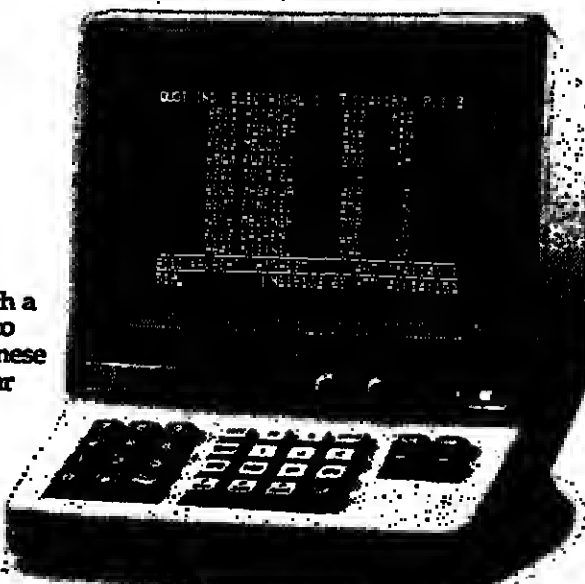
to take money from all the public and deliver programmes to a minority as a deliberate policy.

"The Peacock 'cut sell' of Radios 1 and 2 would be a fraud on the public."

"The promise that the dropped-off bits would re-emerge as something as well established as Radios 1 and 2 cannot be delivered" Mr Wenham said.

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Appointments on Wednesday?

From Today, September 10, the General Appointments section will appear on Wednesdays.

Accountancy Appointments will continue to appear every Thursday as usual.

The reorganisation of the Appointments Pages will enable the Financial Times to offer a substantially improved service to recruitment advertisers and their audience.

Copy deadlines for the Appointments pages are 3 p.m. on the Friday of the week preceding publication for Wednesday and remain unchanged for publication on Thursday.

For more information contact—

Louise Hunter on 01-248 8000, extension 3588

Jane Liversidge on 01-248 8000, extension 4177

or Daniel Berry on 01-248 8000, extension 3456

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UK NEWS

TV rental chain to diversify in market switch

BY DAVID THOMAS

ONE OF BRITAIN'S top television rental chains is to start offering products such as microwave ovens and washing machines for hire in a move which in part reflects falling outright purchase prices for the televisions and video recorders which form the mainstay of the rental business.

Radio Rentals, owned by Thorn-EMI, will offer the new products - they also include dishwashers, car telephones, hi-fi systems, sunbeds and mobile disco systems - initially on a pilot basis in a chain of so-called "Superstores".

Grand Met changes pension structure

BY ERIC SHORT

GRAND Metropolitan, the brewing, leisure and hotels group, has moved in advance of new legislation on pensions by announcing that from next April membership of the group's pension scheme will no longer be compulsory for new employees.

The change in pension scheme membership rules came along with the group's report that it has a large surplus on its £700m pension fund, in excess of £100m. This would put it among the largest surpluses so far reported by a UK company.

Civil Service pay to be curbed, says Lawson

BY DAVID BRINDLE, LABOUR CORRESPONDENT

THE Government would set an example to the private sector by curbing wage rises for its own employees in the coming pay round, Mr Nigel Lawson, the Chancellor of the Exchequer said yesterday.

His warning suggests a squeeze in particular on the expectations of 500,000 white-collar civil servants, many of whom have this year received supplementary pay allowances in addition to a general 6 per cent increase.

Buy-out survey says euphoria may push prices too high

THE LATEST survey on management buy-outs is the result of the most extensive study yet of this fast-growing phenomenon. It also sounds a note of caution that market euphoria might be driving prices too high.

William Dawkins reports on the most extensive study yet of management buy-outs

According to Mr John Coyne and Dr Mike Wright, directors at the Centre for Management Buy-Out Research at the University of Nottingham, the value of management takeovers completed in the UK last year topped a record £1.2bn, as against a mere £50m in 1981.

However, "the vast majority of deals remain firmly based on medium-sized firms," say the authors. The sheer number of deals has also grown steadily, says the study, which estimates that 245 management teams bid their way to independence last year, more than twice the total in 1979.

On Monday the Economist Intelligence Unit reported that a record 135 financial institutions are now keen to back management buy-outs.

But the authors also warn: "High level stock market indices and the merger boom generally have put pressure on the ability to obtain a fair price from the vendor. The markets need to steady themselves for sensible business to be done. If the

Thatcher to make limited reshuffle

By Peter Riddell

MRS Margaret Thatcher, the Prime Minister, will this morning reshuffle the middle and lower ranks of the Government, having apparently decided against any changes at Cabinet level.

All the people involved will be contacted today following consultations Mrs Thatcher held yesterday with Lord Whitelaw, the Leader of the House of Lords, Mr John Wakeham, the Chief Whip (parliamentary party manager), and Mr Norman Tebbit, the Conservative Party chairman.

After the series of Cabinet changes in the past year, notably the two resignations during the Westland Helicopters affair, the Prime Minister has decided that she does not want to change her team further and hopes broadly to maintain it in the run-up to the general election, which must be held before mid-1988.

However, Mrs Thatcher wants to bring in some new blood from the parliamentary backbenches and will seek the resignations of some medium-level ministers who have been in office for some time and who are not candidates for further promotion.

Shorts still hoping for USAF order

By Michael Dwyer

SHORT Brothers, the Belfast-based aircraft manufacturer, is still hoping that the US Air Force will eventually take up all or part of its outstanding option on 48 Sherga freighter aircraft, to supplement the 18 aircraft already delivered and in service.

Reports earlier this week that the US Air Force had decided not to exercise its outstanding option on the aircraft appear to have been misunderstood. All that the USAF is saying is that it has no need of further aircraft of this type at present, but that this does not preclude it exercising its option at some future date.

The order for 18 Shergas, won after fierce international competition, was worth about £13m. It was supplemented by an option for another 48 aircraft, to be taken up by the USAF as and when it might require the aircraft.

Kenneth Gooding on the latest shake-out in lorry manufacturing

GM ends era of Bedford trucks

THE ENORMITY of General Motors' decision to give up making Bedford medium and heavy trucks in Britain can best be illustrated by some history.

Since the first two-tonner left the Bedford factory - then at Luton, in south-east England - in April, 1951, more than 2m Bedford trucks have been sold, the highest volume of any British make.

About 60 per cent of them were exported, underlying Bedford's historical strength as a truck supplier to markets overseas.

So what went wrong? According to many observers, Bedford's parent, GM, the richest and largest automotive group in the world, is managed by people for whom cars come first and trucks - particularly heavy trucks - a very poor second.

By the end of the 1970s Bedford was saddled with rapidly ageing truck products while GM attempted to work out a grand design to develop a "world truck," one with common components which could be produced on a large scale to fit vehicles assembled in major markets all over the globe.

GM simply was not fast enough to push through this cumbersome project, as demand in Bedford's major markets collapsed.

Between 1979 and 1981 annual heavy truck sales in the UK (those over 3.5 tonnes gross weight) plummeted from 60,000 to 45,000. Recession gripped Western European truck markets, causing excess capacity and savage price-cutting.

Although Bedford's position in continental European truck markets was relatively weak, it could not escape the price war which was most severe in the UK.

At the same time Bedford's traditional export markets ran out of foreign currency to pay for truck imports. For example, UAC, the former United Africa Company which is a Unilever subsidiary, has the capacity to assemble about 7,000 Bedford trucks a year from kits in Nigeria. But in recent years has taken only a few hundred.

Bedford's truck sales fell from over 37,000 in 1980 to 14,500 last year.

The company was profitable until 1980 but in the past three years has sustained losses totalling £167m and losses continue to run at more than £1m a week.

GM is not saying how much of the loss arises from the van operations which are not being phased out, but the van plant at Luton will contribute 700 of the latest 1,450 job cuts within Bedford.

GM look action to curb the losses and last year completed a rationalisation programme to reduce the capacity at the Dunstable truck plant

from 30,000 to 30,000 a year. Meanwhile, GM toured Europe looking for a suitable partner for Bedford, one which would provide an instant injection of new products. Even then GM still intended to stay in the heavy truck business and was looking for companies to buy.

It came very close to getting MAN, the second-largest heavy truck producer in West Germany, which had run into financial difficulties because of the collapse in Middle East demand.

But Daimler-Benz, the Mercedes group, which did not relish having GM on its doorstep with a 20 per cent heavy truck market share in Germany, headed off the deal by providing MAN with DM 375m (£121m) of cash to aid its recovery.

When the UK Government under tremendous public pressure, removed Land Rover from the deal and caused GM to withdraw in March this year, it was the last straw for the US group.

GM made one last desperate throw and approached Renault, but the state-owned French group asked too much for its heavily loss-making truck operations.

GM decided to quit the heavy truck business in the US, too, and to hand over those operations to Volvo's American subsidiary. Its decision to give up truck making in the UK was also influenced by Ford's decision to ease its way out of the business by handing over its truck production to a jointly owned company managed by Iveco, the Fiat-owned heavy commercial vehicle group.

The UK Government must now reap the consequences of taking short-term, politically-expedient action to keep Land Rover British.

Bedford sold about 6,000 of its medium and heavy trucks in the UK last year and importers undoubtedly will fill most of the gap it leaves in the market. Daimler-Benz has already overtaken Bedford and moved into third place in the UK heavy truck market and its Mercedes vehicles stand to benefit substantially from Bedford's departure.

Britain's balance of trade in commercial vehicles went into the red for the first time in 1983. By last year the adverse balance had soared to £327m. GM's decision yesterday ensures that the figures will figure will soar again in the second half of the 1980's.

Council workers threaten tough line

A BALLOT on industrial action by almost 500,000 local government members of the white-collar union Nalgo has produced a surprisingly high 45 per cent vote for action over a 6 per cent pay offer.

The result, declared yesterday, has taken aback local authority employers. Although the pay rise is likely to be paid after talks today, Nalgo intends to use the momentum created by the vote to begin immediately a campaign for a big increase next year.

What concerns the employers is that the council white-collar staff, traditionally unwilling to take national action, may be growing steadily in militancy in the same way as teachers did in the build-up to their year-long pay dispute.

SOUTH WALES miners' leaders will press for a national ban on overtime coal production when the executive of the National Union of Mineworkers meet on Friday.

The move for a national overtime ban came as miners assented Sir Robert Haslam's decision to award a pay increase to most NUM members without fully back-dating it to last November. NUM officials throughout the coalfields reported mounting anger at Sir Robert's announcement.

DISASTERS like Bhopal in India may be less likely in future because of a world data bank launched yesterday.

The new service lists several thousand incidents involving chemicals over the past 25 years. Users can ask the computer for details of particular incidents to find out what caused them and whether there are any lessons to be learned.

The Major Hazard Incident Data Service has been set up by the Health and Safety Executive (HSE) and the Safety and Reliability Directorate (SRD) of the UK Atomic Energy Authority.

TRADE UNIONS have rebuffed their commitment to Unity Trust, the trade union and co-operative financial institution following a two-for-one rights issue which raised £4.35m.

Biggest launch since QE2 raises hopes

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

THE QUEEN MOTHER yesterday launched the MV Norsen, a 31,000-tonne cruise ferry for 12 and O which is the largest passenger ship to be constructed at a British shipyard since the building of the QE2 in the mid-1960s.

The launch on schedule of the Norsen at Govan Shipbuilders, a subsidiary of British Shipbuilders, has raised hopes that the Glasgow yard will now win further passenger ship orders.

The winning of the contract to build the Norsen, which will operate on North Sea Ferries' Hull-Rotterdam route, followed a major restructuring and modernisation of the Govan yard to enable it to construct ships of much greater complexity than in the past.

Govan Shipbuilders is negotiating for several major passenger ship orders, and Mr Eric Mackie, the managing director, said yesterday that he was "very hopeful of acquiring new orders in the near future."

But as things stand, Govan Shipbuilders will be without work when fitting out of the Norsen is completed next spring.

Until Govan Shipbuilders won

the Norsen, the Norsum, is being

30 Elektro- und Elektronikfirmen, 2 Fracht-agenturen, 7 Druckereien und Verleger, 3 Papierfabriken, 6 Transport-Unternehmen, 3 Packereien, 2 Robotertechnik-Firmen, 16 Präzisionstechnik-Konzerne, 25 Maschinenbaubetriebe, 8 Computerfirmen, 26 Agenturen für Geschäftsberatung und Büro-personal ... und eine Firma, die genau die richtigen Verbindungen hergestellt hat.*



Glenrothes verfügt über 30 Jahre Erfahrung im Aufbau einer sinnvollen Infrastruktur für den Geschäftsausbau. Seit über 30 Jahren wird für eine Vielfalt von industriellen Unternehmen eine gesunde Basis geschaffen, und das Ergebnis ist ein beständiges, erfolgreiches Wachstum der Gemeinde: die oben genannten Firmen stellen nur einen kleinen Teil derer dar, die von der beständigen Zusammenarbeit mit Glenrothes Development Corporation profitieren.

GLENROTHES DEVELOPMENT CORPORATION

FÜR WEITERE INFORMATIONEN WENDEN SIE SICH BITTE AN JOHN McCOMBE, DIRECTOR OF DEVELOPMENT, GLENROTHES DEVELOPMENT CORPORATION, BALMORIE HOUSE, GLENROTHES, FIFE, SCHOTTLAND KY7 6NL. TELEFON: (0804) 597543-4; TELEK: 72125.

TECHNOLOGY

TO MOST companies, especially one up against the cutting edge of Japanese competition, destruction of its main manufacturing plant would represent a major industrial disaster. Not so, for Agie, the Swiss machine toolmaker.

Since a flood wrecked its Losone factory in 1978, the company has re-equipped the plant and taken a healthy technological lead over its rivals. This has enabled it to expand sales faster than any of its competitors and to sell its machines at the top end of the market where profits are highest.

By any conventional wisdom, Agie is an improbability. Its home in Losone, near Ascona, is in the *dolce far niente* tourist belt at the head of Lago Maggiore, where the common pursuit is relaxation rather than industrial activity.

It makes electric discharge machines (EDM) which allow specially hardened metals or plastics to be shaped with great accuracy. They are a speciality for which Japan provides half the world market and in which Japanese companies such as Mitsubishi and Fume are the major producers.

Yet Agie is the technological leader in its field, holds close to 15 per cent of the world market and manages to sell its machines in Japan at prices which are some 30 per cent higher than those it charges in the US.

The world market for EDM or spark erosion technology is growing at between 10 and 15 per cent annually, with Switzerland as the main contender to Japan. Agie's closest rival in the West is Charmilles, a subsidiary of the Swiss Group Fischer Group.

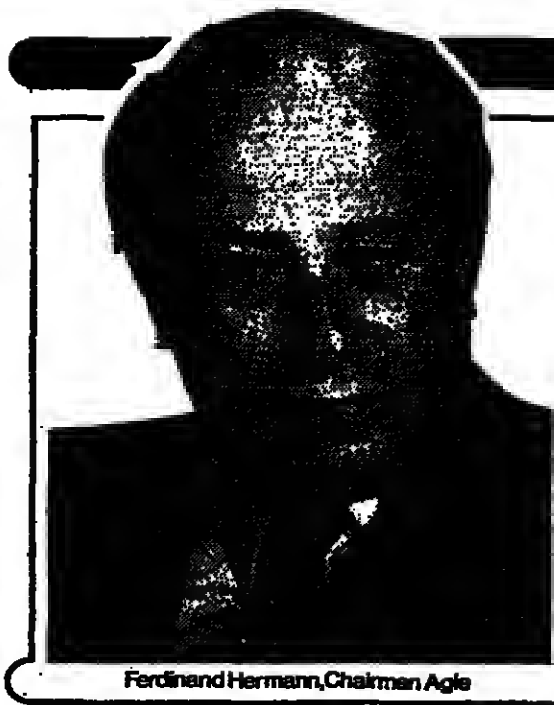
Agie's history falls into two parts, before and after the 1978 flood, which also set off a fire and wrecked the Losone factory in less than an hour.

All Agie's production apparatus was ruined, it could not keep its delivery commitments and the Japanese stepped in. But Agie, a family owned concern which had stashed away substantial reserves out of earnings, was financially sound.

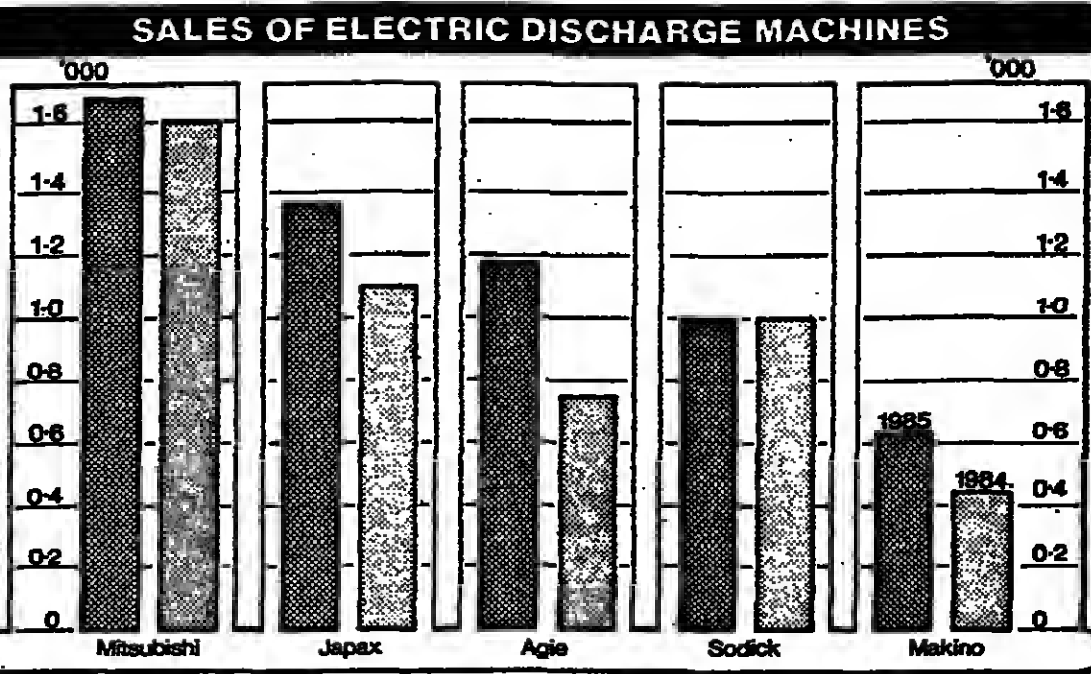
With the insurance payout it was able to instal new equipment within a year and set off on a period of rapid sales expansion.

The flood also marked a turning point in management approach. Agie became more aggressive in grabbing markets abroad and in spending to acquire and hold its technological lead. The period after the flood coincides roughly with the return as managing director of Mr Ferdinand Hermann, an engineer of forceful character who had built his reputation as a marketing man.

"We developed a philosophy of solving customers' problems



Ferdinand Hermann, Chairman Agie



How Agie honed its competitive edge

William Dullforce, in Geneva, looks at the Swiss toolmaker's successful technology policy.

not just telling them machines," Mr Hermann explains. Agie concentrated on defining customers' real needs and on setting up its own branches abroad instead of using agents to service them.

The policy was expensive but by combining the closer approach to the customer with technical performance Agie was able to charge higher prices for the quality of its machines and its service.

Essentially it left the cheaper end of the market to its competitors. This, however, has kept Agie under constant pressure to maintain the technological lead.

Last year the company spent about 8 per cent of turnover on research and development, but when the costs of out-of-house research are included, Mr Hermann calculates that the ratio exceeds 10 per cent of sales.

In electric discharge machining, a swift succession of current pulses generates discharges or sparks between a tool (electrode) and a workpiece that is being shaped.

Each discharge melts and removes a tiny part of the workpiece.

The technique was first used in the Soviet Union during the Second World War to machine materials needed for rockets.

British and US engineers later developed the degree of control needed for high precision work and spark erosion became well known in the aerospace industry, for example, in fashioning the blades of gas turbine engines.

But it was left first to the Swiss and then to the Japanese to discover and exploit the wider possibilities of the technique for making dies and moulds for machine-tool production. Agie, founded in 1954, benefited greatly from the long Swiss tradition in tool-making and from close co-operation with Swiss toolmakers to achieve gradually higher standards of accuracy and surface finish.

Above all, Agie was able to add the degree of automation to its machines, which made a relatively slow process fully competitive with other machining techniques.

It was the first to introduce numerically controlled EDM to the machining of tools and in its latest units it has harnessed computer power and developed the software programmes for automatic and adaptable machining of the hardest materials, including ceramics, to a wide variety of shapes and sizes.

Before the 1978 flood Agie, as with other EDM manufac-

turers, had been making mostly machines for sinking dies, in which the tool or electrode reproduces its reverse image on the workpiece.

Although they had been developed earlier, the period after 1978 saw the introduction on a much larger scale of EDI-wire-cutting machines. In these the electrode is a thin wire that can be used far more flexibly and delicately to drill tiny holes or cut complicated shapes which can vary from one side of a workpiece to the other.

When fitted with micro-electronic control of the spark and sophisticated computer-controlled programming that allows for automatic, round-the-clock working, the wire-cutting machines widen enormously the gamut of tool-making jobs that can be effected by EDM.

They have moved EDM into areas where the drilling and grinding of tools were still being done basically by hand.

EDM technology now provides the tools for making lead-frames for microchips in the electronics industry and dies for making bumpers, spoilers and a variety of other plastic parts in the car industry. Workpieces machined by EDM make components for virtually all types of industry from watch-making to nuclear power stations.

Numerically the traditional customer—the small, specialised toolmaker operating two to five machines—still predominates and even General Motors buys only in small batches. But the automobile industry's increasing demand for plastic-shaping tools has been an important growth-stimulating element for EDM in recent years.

Bosch buys a lot of Agie equipment which it uses for calibrating its fuel injection systems for car engines. The electronics industry also takes a considerable number of EDM machines.

Agie's strength has been its technological lead in EDM wire-cutting. The introduction at the end of 1984 of its new generation of wire-cutting systems was a prime factor in boosting its overall sales from 743 machines in 1984 to 1,132 last year and in raising its net turnover from SFr 173m to SFr 247m (\$99m, \$145m). Consolidated turnover was SFr 296m.

The number of Agie wire cutting machines sold last year accounted for roughly a quarter of the world market. Agie delivered altogether between 200 and 300 EDM machines to the US, some 200 to West Germany and around 80 to Japan. The biggest sales growth came in Britain and France but these

are still small, undeveloped markets for EDM technology. More than 96 per cent of Agie's output is exported.

The ferocity of the competition between the Swiss and the Japanese EDM manufacturers is reflected in the lawsuits for patent infringement which Agie has filed against Mitsubishi in the US, West Germany, Britain, France and Japan.

In May Agie obtained a court injunction preventing Mitsubishi's European distributors from displaying its wire-cutting machines at the international machine tool exhibition in Basle.

Mr Hermann, now executive chairman, sees 1986 as a year of consolidation with more moderate volume growth before the launch at the end of the year of Agie's next generation of die-sinking machines.

Financially Agie is capable of investing strongly in keeping its technological edge and in strengthening its already customer-orientated marketing approach.

Its success is forcing Agie towards crucial decisions which will have to be taken in the next couple of years. They concern the diversification on which it has already embarked and most importantly the question of whether and where to

invest in production plants abroad. Agie cannot expect to manufacture in Losone the volume needed to maintain market share and to remain competitive on distant markets.

The choice would seem to be between manufacturing in Japan, the lion's den where the local competition is fiercest but appreciation of the value of EDM is greatest and setting up in the US, which is only a developing country as far as EDM is concerned but offers immense potential for effective promotion.

If Agie's output is to keep pace with the 10-15 per cent annual expansion rate expected of the world EDM market over the next few years, it will need to produce close to 2,500 machines a year in the early 1990s, of which between 400 and 500 would have to be sold in Japan.

The threshold at which it becomes more economical to manufacture in Japan than to export there must be considerably lower, perhaps around 500 machines a year, the view of the previously chartered problems of foreign companies trying to go it alone in Japan, the most obvious solution for Agie would be to seek a joint venture with a local manufacturer.

In the US the threshold at which importing needs to shift to local production is certainly higher and Agie already has an established marketing network. The market potential is less clearly defined than in Japan but could be very large. At present there is no serious local competitor (Elox assemblies and distributes Japanese EDM machines).

Despite its financial strength Agie would be hard pressed to cope with a simultaneous establishment of production facilities in Japan and the US. The choice and the timing are therefore crucial and Agie's management with a new managing director, Mr Horst Schneider, will have to spend much time exploring and evaluating the possibilities and risks.

Mr Hermann also argues that the future growth of the company calls for cautious diversification into new areas of business. Agie had its fingers burnt in an earlier attempt to diversify in the 1970s when it tried its hand unsuccessfully to manufacture emergency power plants for hospitals.

This time, Mr Hermann says, it intends to stick to areas that complement its core EDM business and where it already has technical experience. Preliminary moves have been to acquire a small West German producer of numerical controls and a laser/DSP machine. More information on 0344 482224.

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US keys in for low-cost chip design

By Geoffrey Charles
CHIP DESIGN screens and keyboard workstations aimed directly at engineers who need to design application-specific integrated circuits (ASICs) have been put on the market at under £20,000 by Lattice Logic the Santa Clara, California computer-aided design company.

The workstation, it is claimed, allows engineers at the systems design level to work in silicon without previous experience. The software involved, called ChipSmith, works in much the same way as financial spreadsheet personal computer software, providing "what if" design and fabrication options. Lattice Logic is in Scotland on 031 225 3434 and Santa Clara on (408) 748 9797.

MULTI-PURPOSE terminals are the IBM personal computer (PC) or a compatible model by plugging in a circuit board from Thorn Ericsson Telecommunications, Harahan, UK.

The PC becomes an integrated workstation for voice and data, for use with the Thorn Ericsson MD 110 voice/data PARK (company telephone exchange). Users continue to use their PCs as before, but in addition can communicate data to other users either in or out of the building. The board sets the appropriate data rates automatically.

EMULEX has entered the optical disk drive market with the first of a series of laser optical systems for the DEC range of computers. The Emulex disk drives, at a price of \$10,700, are available on VAX, MicroVAX and LSI/FPD machines. More information on 0344 482224.

Do you know the one about the Saudi, the Swede and the Belg?



The Saudi acted on behalf of his Ministry of Industry. He was inviting tenders for the delivery of heat exchangers.

The Swede was interested. He made the parts for the heat exchangers, and his sub-contractor assembled them.

But they needed working capital. Plus Letters of Guarantee to be issued by a bank on the prestigious list of S.A.M.A. — The central bank of the Kingdom of Saudi Arabia.

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14
MANAGEMENT

SEVERAL hundred 17-year-olds have taken part in a scheme this summer which could do more to change Britain's "anti-industrial culture" than all the worthy academic reports gathering dust on the shelves of government offices.

They have each spent a working week watching management at first hand, sitting in on top-level meetings with other managers, and with customers, and travelling to plants, meeting delegations from overseas. For many, the work shadow scheme has given them a unique insight into a world about which they had only the haziest ideas, at a time in their lives when they could be influenced to view industry as a career.

The idea sprang from a pilot scheme last year when a few "shadowed" successful businessmen, giving them a glimpse of the

Industry Year

How a 'shadow' saw the light

Hazel Duffy on a scheme to excite the minds of Britain's youth

sort of career to which they could aspire. It gathered force with the advent of Industry Year, the impetus coming from the Department of Trade and Industry and the Institute of Directors which together have co-ordinated the scheme between local authorities and volunteer managers.

financed to industry, many youngsters shadowing senior people in other sectors—the Royal Navy, the media, public corporations like the electricity boards, health authorities, etc. The only criterion was that it had to be a senior executive or manager.

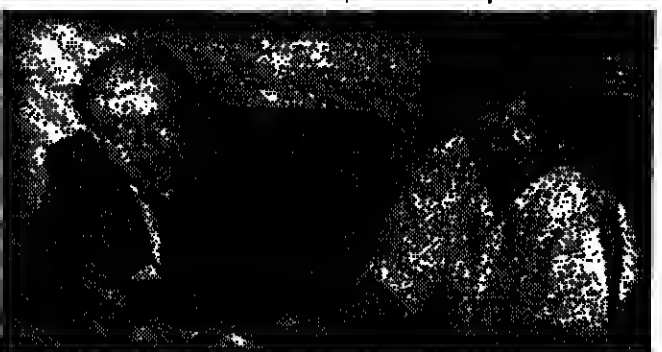
came out of the interviews which follow, chosen deliberately from industry. The shadows, two boys, two girls (three from State schools, one from an independent school), were intelligent, enthusiastic, enquiring. They were all studying A-levels, with the intention of going on to uni-

LAURENCE WINSTON'S friends in the Lower Sixth have very definite views about industry. "We don't want to go into industry. There's no prosperity there. Everybody is going out of business." In Sheffield, where Laurence attends the King Edward VII comprehensive school, perhaps it is an understandable view for 17-year-olds. Their secondary school years have coincided with the rapid retraction of the traditional industrial base of Sheffield.

But Laurence was prepared to find out for himself, and jumped at the opportunity to shadow Richard Field, chairman of Dyson Refrigerators. Field had come in to Dyson in the classic "company doctor" role, turning round a group of companies which had sunk into the doldrums along with its main customer, the steel industry. He is also a firm believer that the medium sized companies which have survived the recession must take over from the big companies which have cut back in Sheffield the mantle of putting across the industry message.

Sheffield, under the enthusiastic direction of people like Field, has taken up the opportunities offered by Industry Year in a big way. Around 60 sixth-formers have taken part in the scheme, each of whom was interviewed and placed by Daniel Bates, a firm of recruitment consultants which gave its services voluntarily.

Placements, even when only for one week, need care. "Everybody wanted to shadow the glamour jobs, like the manager of the Crucible Theatre," says Alvin Pearce, associate director. But Laurence found the refrigerators business exciting. "I thought it was going to be routine, but it wasn't at all."



(L to r) John Nicholson, Tina Kokkinos, Richard Field and Laurence Winston

It was not all glamour, either. There was the 6.00 am start to the day that took in one of Field's regular visits to the Birmingham plant, and there was more consumption of buns on motorways than business lunches.

The pace and variety attracted Laurence, and the fact that everybody he met in the group genuinely seemed to enjoy their jobs. It mattered little that the end product, for a 17-year-old, was so unexciting. What did matter was that he picked up the concept of competition and the fact that the company only sells its customers what they want to buy.

Laurence thought he wanted to be a solicitor, after studying careers literature and talking to anybody he could find who practised law. His week at the top has not dissuaded him from law, but he is much more likely to contemplate industry should he not like law, or to be a "Theatre," says Alvin Pearce, associate director. But Laurence found the refrigerators business exciting. "I thought it was going to be routine, but it wasn't at all."

Laurence thought he wanted to be a solicitor, after studying careers literature and talking to anybody he could find who practised law. His week at the top has not dissuaded him from law, but he is much more likely to contemplate industry should he not like law, or to be a "Theatre," says Alvin Pearce, associate director. But Laurence found the refrigerators business exciting. "I thought it was going to be routine, but it wasn't at all."

TINA KOKKINOS walked away from Marconi Communications' plant in Chelmsford wondering whether she should reconsider her plan to read mathematics at university and take engineering instead. She had spent her week shadowing John Nicholson, the general manager—a placement which had been arranged by an uncle who works there, and not by her school.

Almost all her lower sixth colleagues at South Hampstead High, an independent London school, had shadowed managers, but some had to be arranged privately because the school had run out of people to be shadowed.

Tina is studying maths and sciences at A-level. Her only career thoughts post-university were "something in research." A few weeks after her Marconi experience, her passion for the pure sciences and maths seemed to be winning out over engineering. But she was quite specific about what she saw as the value of the experience: "It has made me more ambitious. I can see now what I can aim for."

Nicholson, too, had learned something. "Having Tina along-

side me made me stop and think every now and again, and ask myself: is this really what I am trying to achieve? I looked a bit more at my methods of organising—nobody is perfect in this area."

He tried to explain complex topics to Tina before going into meetings, breaking them down into more simple elements, which he enjoyed. "In an odd way, it was reassuring. Presenting things in that way made me realise the extent of the background and experience necessary to do this job, which one has just assimilated without thinking about it."

He arranged that there would be no meetings discussing defence equipment during Tina's week—she was excluded from only one meeting, about a company in trouble and owing money to Marconi. The issue of confidentiality—which had crossed Nicholson's mind—did not turn out to be a problem; other managers in the company were quite happy to have Tina there.

Trade union representatives at the monthly meeting with management were also relaxed

versity or some sort of further education. But none had a definite career in mind, although one had been attracted to the law.

They each had an image of industry as being "something not quite nice," a view which they thought had been fostered by television's portrayal of recession, redundancies, and strikes, and the lack of knowledge among their teachers about industry (although two had had teachers who had done a short secondment with industry).

Of the companies that took part, there was a common acknowledgement that industry must play its part in communicating with schools, either as company policy or the efforts of a particular manager. After the experience of being "shadowed," all four managers—having advised to certain misgivings at the outset—said they would take part again.

Managing change

When the cap no longer fits

William Dawkins on unconventional solutions to corporate upheavals

IF ONLY one in three of the world's top industrial companies will still be leaders in their sectors 10 years hence, what will set them apart from the unfortunes due to fall by the wayside?

The answer, according to Julian Phillips, a principal in McKinsey Consultants' San Francisco office, is all to do with their ability to manage change. Conventional management disciplines will not be good enough to dominate the turbulent economic and technological changes that will increasingly pervade virtually all sectors, he argues in the latest issue of McKinsey Quarterly.

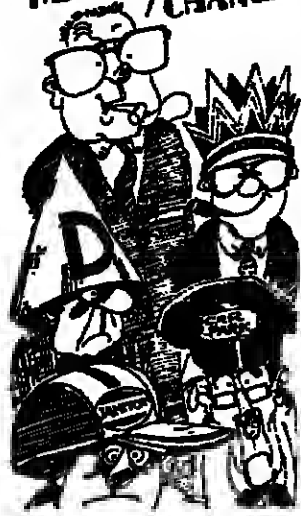
Successful "change managers" will instead take bold and unconventional steps to announce new priorities, change procedures, ensure everyone understands what is going on and take a high profile in orchestrating the whole process, he says. This might sound about as surprising as motherhood and apple pie to anybody who has run a fast growing technology company, but Phillips has some interesting thoughts on the importance of presenting changes so that they pervade all levels of the organisation at once, rather than filtering down stage by stage from the top.

A conventional manager, he says, will plan a new move like a product launch or entry to a new market, announce it and spend maybe a few months leading the process before stepping aside to let line managers get on with it.

After a while, "the thrust towards major change peters out" because middle managers have not been encouraged to change their thinking and working habits to adjust to the new order of things, says Phillips. Not that there is anything wrong with good old-fashioned tenets like sound analysis and delegation — at least in stable times — but change managers need to go further than that. They must, says Phillips, inspire subordinates to overcome "deeply ingrained habits, core beliefs, shared values and entrenched political positions."

But how? For a start, he advises change managers to ensure that everyone affected by a new move is actively involved in launching it. Phillips cites the example of a US bulk chemicals producer that was

WELL, YOU GUYS — THAT'S SORTED OUT THE MANAGEMENT / CHANGES



that profound changes need to be in some way dramatised if people are to take them to heart. Once the new management structure had been worked out, the chief executive invited 75 of his top managers to a party at which each was handed a funny hat somehow befitting his old job.

Everyone was encouraged to swap hats until a whistle blew, whereupon prizes were doled out. After explaining the symbolism—job changes meant old conventions had to go out of the window — the chief executive handed out an organisation chart to clarify the new structure. Perhaps a less flamboyant British counterpart would have laid out bridge rolls and tepid Muscadet in a conference room.

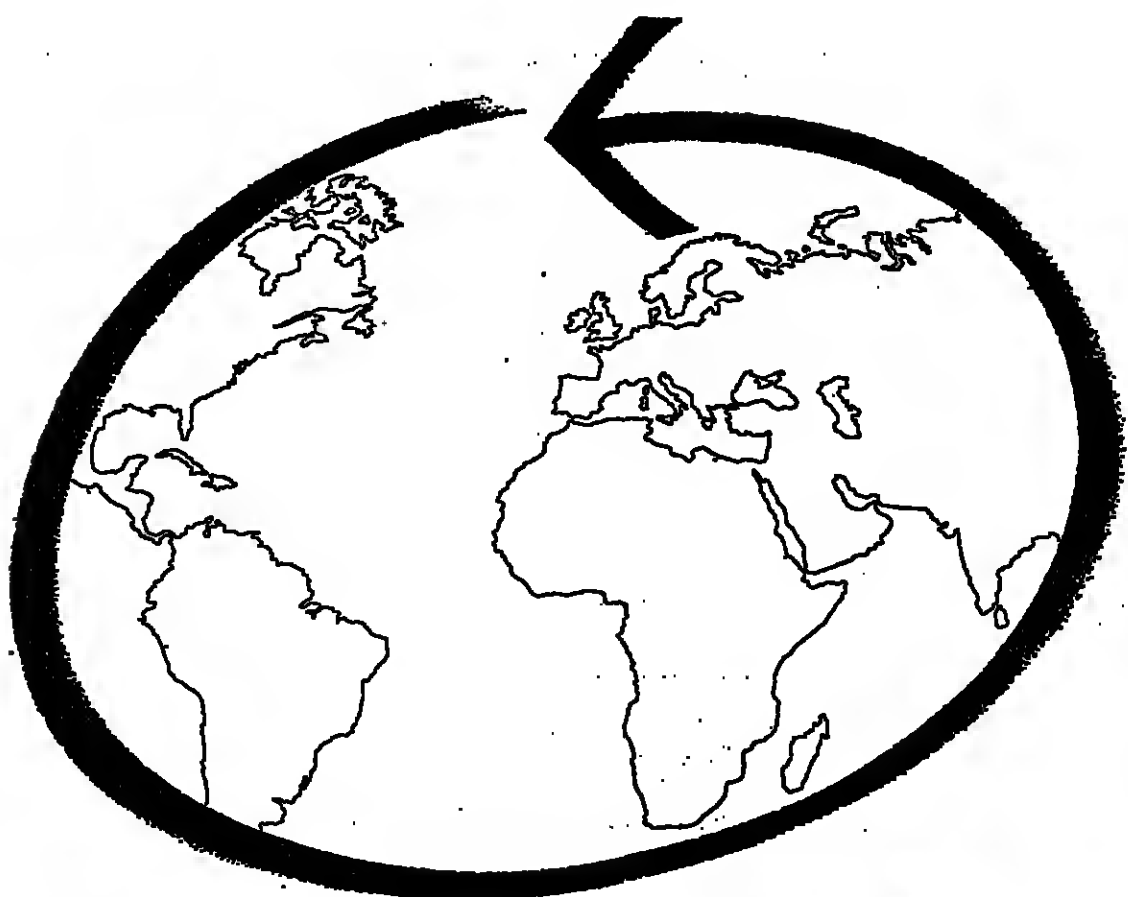
The bulk chemicals man was a good change manager, explains Phillips, because he made his new objectives clear to everybody, explicitly contrasted the old and the new and shifted the balance of power accordingly. But change executives to be pushed strongly from the bottom as well as from the top, he adds.

Phillips points to the chief executive of an industrial equipment manufacturer who, in each of the first three years after the launch of a big change programme, visited 50 sites in his group to preach and listen to people at least five management levels below him. Being visible — and straightforward — were important in helping him to ensure that change took place at all levels. And it was the only way the chief executive could discover how changes were really going on, says Phillips.

Groups that are good at orchestrating massive and complex new projects include Bechtel, Fluor and Bechtel, he reckons. But even they do not go all the way because they are only dealing with one-off campaigns. For the ideal change manager has to lead his organisation through a huge process of learning how to compete successfully in a new environment, what lessons can be drawn from each attempt to do something new, and how these lessons can be turned into new management methods.

When good management is not enough, The McKinsey Quarterly, Summer 1986, from McKinsey and Co, 55, East 52nd St, New York, NY 10022.

One more detail which might sound a bit bizarre to European managers, underlines the point



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Supplementary Statement by the Chairman, Mr. G. H. Waddell, at the Annual General Meeting held on Tuesday, 9 September 1986.

I think it is right to add to the remarks that I made in my Chairman's Statement on 1 August 1986, about the prospects for Rustenburg's current financial year to 30 June 1987.

As a result of the Rand prices received during July and August Rustenburg has earned profits substantially above those for the comparable period last year. This is likely to continue for as long as Rustenburg receives current Rand prices and maintains its volume of sales at a level similar to that of last year.

Johannesburg, 9 September 1986.

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United Merchant Bar plc

UMB — the joint venture between Caparo Industries and the British Steel Corporation at Scunthorpe has just been opened by Nigel Lawson, the Chancellor of the Exchequer. Initial production at the plant will be 120,000 finished tonnes of steel flats, angles and channels a year.

THE UMB project is, in many respects, a modern Phoenix rising from the ashes of an outdated sector of Britain's steel industry.

At the mill's official opening on September 4, Nigel Lawson paid tribute to the enterprise and commitment of all concerned in transforming the former Schloemann four-stand rod mill at Scunthorpe into a 15-stand horizontal-vertical bar mill which aims to become one of the most cost-effective European bar producers with facilities capable of supplying the high volume end of the market.

The initial annual production of UMB's mill will be 120,000 finished tonnes. Half of the output will be flats, initially in the 40 to 150mm width range and from 5 to 80mm thick. Other products will be mainly equal and unequal angles of up to 80mm, with channels up to 100mm by 51mm.

United Merchant Bar was set up in January 1985 by Swraj Paul's Caparo Industries which owns 75 per cent of the project and by British Steel (25 per cent) to rationalise the production of merchant bar at BSC's Scunthorpe complex.

Steel flats, channels and angles had earlier been produced by the BSC plants at Monk's Hall in Warrington and Jarrow, near Newcastle-upon-Tyne. But the two mills were unable to process 100 per cent continuously-cast products and were remote from the Scunthorpe supply of billets.

The new UMB mill began hot trials in March, 1986, processing billets from the neighbouring BSC plant. Meanwhile, the outdated Monk's Hall Works has now closed down and the Jarrow mill has been closed as UMB took over the production on angles and flats.



Mr Nigel Lawson, Chancellor of the Exchequer, with Mr Swraj Paul, chairman of Caparo Industries, at the opening of UMB's mill.

The UMB billets are supplied by BSC's nearby eight-stand Robop Davy continuous caster. An Asca fully-digital Speedmaster controller has been integrated into the production system with a mercury arc converter main-drive installation. This represents some of the latest in automatic mill control on speed matching and tension-free rolling. It also has the ability to store automatic rolling programmes.

By combining the Asca Speedmaster system with a Ceda process control system for the auxiliaries, such as the roller tables and shears, it is possible to achieve a fully-integrated operation of the 15 stands, hot shears and cooling bank under a single operator's control.

In the downstream operation after rolling, merchant bar products are sheared to cooling bank lengths and cooled prior to being transferred in packs to the cold shear, which cuts products ranging from 6m to 15m lengths, according to customer demands. Bars are then transferred via a roller-straightener machine or bypassed to the automatic stacker.

Markets and customers:

The UK market for flats and light sections is currently static. UMB will be one of the largest UK producers with around a 25 per cent market share competing with about 30 per cent share held by importers. UMB's marketing policy will aim particularly at reducing the need for these imports by offering a high level of service and competitiveness.

Since April 1985, UMB has been handling on an agency basis the sales of merchant bar produced on the older BSC mills at Monk's Hall and Jarrow. It has therefore a clear profile of its customers and their further potential now that it is a low-cost producer. Of UMB's 300 customers, around 70 per cent are stockists and this underlines the importance of the UK steel stockholding industry.

Looking to the future it may be possible for UMB to make use of the 200,000 tonnes annual capacity of the hot mill by competing in export markets—dis-mantling of the EEC quota system may well open up new opportunities. For the moment, however, UMB will work towards a profitable operation within the existing production level of 120,000 tonnes/year.

Financial returns:

Caparo is a growing industrial group which looks for a high level of return on capital employed. How can this be obtained in a static or declining market such as the steel industry?

Mr Paul cites as examples of similar success his companies Natural Gas Tubes and Wrexham Wire—both of which make very satisfactory profit returns based on the most modern plant, small workforces and low overheads. These same factors which give low-cost production and thus the chance for profit in this competitive industry are present in the UMB project and were summarised in Caparo's recent annual report.

Modern plant with computer controlled mill set-up facilities. Together with the agreement of a single union/total flexibility agreement with employees this means high productivity levels per employee; manpower



A section of the new UMB mill at Scunthorpe

CAPARO INDUSTRIES' WIDE INTERESTS

LED by Swraj Paul, the Indian-born entrepreneur, Caparo Industries is an industrial conglomerate with wide interests in steel, general industry and electronics.

The company is listed on the London Stock Exchange where its ordinary and convertible preference shares have a market capitalisation of about £28m. The company is 75 per cent controlled by Mr Swraj Paul and his family but has over 2,000 other shareholders, including leading city institutions. The group's product areas and companies range from:

Wire—Wrexham Wire Company.

Small diameter tubes and hollow sections—Barton Conduits of Walsall and Barton Tubes Limited of Canada.

Forgings and pipe fittings—Clydebank Engineering Company; High Pressure Forgings Limited; Tube Fittings Limited; William Whitehouse and Company (Asia Forge) Limited.

Forklift truck sale, hire and service—Nationwide Fork-truck Services Limited.

Steel stockholding—CMT

Midland Stockholders and CRT Steels and Supplies (Northers) Limited of Oldham.

Aluminium castings—Barton Aluminium Foundries Limited.

Cast iron and steel shot and grit—Barton Abrasives Limited.

Steel fabrications and welding equipment—Walton and Company (Wolverhampton) Limited.

Consumer electronics—Fidelity plc is one of the largest UK manufacturers of

14 ins colour televisions and has an increasing share of the large screen market, together with a full range of audio/hi-fi and CD equipment. It is also the only UK manufacturer of Cordless telephones.

Swraj Paul's family company in India, the Apceey Group, also operates mini-mills, steel plants and ship-ping.

For more information about Caparo Industries, please telephone the London office on 01-496 1417 (telex: 8811343 Caparo G).

How the transformation began

BSC had examined the feasibility of modifying the original No 1 Schloemann rod mill, built 20 years ago at its Scunthorpe Applaby-Fordingham works on which the streamlined UMB mill has now been established. BSC's original plant closed in 1981, and in the following four years the mill deteriorated considerably.

It was not until the end of 1984 that the industrial group, Caparo, was found as a private sector partner for a joint scheme to transform the existing rod mill into a low-cost bar production plant. It is a measure of all concerned at UMB that the disused plant was transformed in just over a year into a versatile new light section mill.

The BSC feasibility plan for the project had involved an evaluation of the Jarrow and Monk's Hall product mix to assess just what types of steel would be most favourably suited to a cost-efficient mill of the type planned by UMB.

Initially, UMB production is concentrating on flats and equal angles which make up most of the output. Unequal angles and channel production are being introduced in stages.

Mr Jim Crossman, UMB's Chief Executive, says that the company has been "fairly successful" in bringing back

the existing assets that were re-usable at the old Scunthorpe plant and then grafting modern technology into the complex.

Now he describes the UMB plant as "a re-forge mill"—and he should know, since he was the chief engineer at BSC Scunthorpe and previously the works manager at No. 1 and No. 2 rod mills.

The complex challenge of modifying the old mill was complicated by the existing layout of the rod mill and the associated electrical plant configuration. But, even so, UMB has transformed the four-stand rod mill into a 15-stand single-strand merchant bar operation. The change has been brought about by such operations as removing redundant rolling stands, modifying those which were re-usable and buying three new interchangeable vertical "jolly" stands and a vertical cantilever stand for edge rolling.

Each single mill stand has been altered for independent motor control which is necessary for independent speed control of stands for bar rolling.

The major contractors for the supply of new equipment was Danieli of Italy—a company with considerable experience in mill modernisation. This equipment included four vertical stands, a 66 by 10m cooling

bank, together with hot and cold shears, an automatic stacker and other ancillary equipment.

Thus, the challenge for UMB has been to modify the inherited infrastructure of the plant—the most noticeable alterations at the mill are a number of vertical stands, the removal of the rollers from the old rod mill and construction of a cooling bed.

Since the original mill structure was built 20 years ago in the grand manner of those days, Jim Crossman readily admits that there is no doubt that any one building a new merchant bar mill on a greenfield site today would have approached the project in a different way—but the capital costs might be of the order of £40m, compared with the £10m cost to UMB.

From furnace to stacker:

The mill's 50 tonnes/hour pusher furnace has been retained, however, with some refurbishment to adapt the operation for merchant bar feedstock. The furnace is fired with coke oven gas supplied from the adjacent integrated works—thus, billets can be reheated to rolling temperature of around 1,100 degrees centigrade.

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THE ARTS

Television/Christopher Dunkley

Programming laid with wall-to-wall irony

Battle has been joined once again in television's most heated...

This week came BBC1's response, arranged with all the scheduling skills of Michael Grade...

ITV begins its Saturday "build" with The A-Team, a ultra-violent American gunplay series...

The rat abdicates at 5.45 to be succeeded by Dr Who, a character pulled off screen by Grade...

on BBC 1. ITV starts 9.3-1, yet another game show. Five minutes later BBC 1 switches to its new...

There are four splendid ironies to be savoured with regard to this ratings battle...

The second irony concerns those earnest claims about public service ideals which we hear whenever the current British broadcasting system...

repeatedly used the words "Wall to Wall Dallas" as a cautionary phrase to describe the supposed horrors of American programming.

ATV is the same only more so. The A-Team is actually imported from America. Blind Date was launched on American television in 1949...

'The greatest irony is that families are fragmenting into their constituent parts and taking control of scheduling for themselves'

'Giving the public exactly what its least demanding members want is not what most of us mean by public service broadcasting'

Art changes the face of Cologne

September adds a new item to the list of the world's temples of culture. The latest one rises on the banks of the Rhine...

With its old masters, its apparently endless numbers of medieval altarpaintings of the Cologne school...

No fewer than three special exhibitions attend upon the opening of the new building. The photography department pursues the theme of "transculturality" with works by Man Ray...

the galleries. Those sheds — bulging deeply into the room, the light streaming in from steep window bands — may be appreciated by some visitors as daring plastic forms...

Thanks to Mr Ludwig, Cologne must now rank as one of the foremost showcases of modern art: classic works supplemented by the Schmitzer bequest of Max Beckmann...

The main exhibition hall presents over 100 artists to document the "story of an artistic fascination: Europe/America since 1940". But this exhibition hall has been divided up into a labyrinth of cubicles...

Cologne's new arts centre, set in the shadow of the city's soaring gothic cathedral

The House of Bernarda Alba/Lyric, Hammersmith

Michael Coveney



Patricia Hayes and Glenda Jackson

This extraordinary revival of Lorca's last play, written in the year of his assassination, 1936, brings to the London stage a rare mix of European talent...

The design of a monumental white farm house, a facade of grilles and apertures, peeling plasterwork soaring into the roof...

It must have been difficult to discover a unifying rhythm for Lorca's impassioned and embellished vision of life on the verge of Granada...

The curtain rises on the slow and stately entrance of the audience to allow Lorca his radical anti-Catholic stance on these rural nunneries...

Upstairs, locked away, is Bernarda's 80-year-old mother, who yearns to return to her own village on the coast...

It is strange now for a play to show women torn apart by the absence of men in their lives...

curfers (very good wigs, incidentally, rarely on the London stage). Her destructive rivals are Amanda Root's energetic Adele and Deborah Findlay's vindictive, masturbatory martyr Maricela...

And suddenly the stage is occupied with snarling, writhing figures whose words set off echoes. When poor paranoid Golyadkin wants to turn the clock back, he whizzes backwards like a film being rewound at speed...

The Double/Bridge Lane

Martin Hoyle

The less lovable aspects of fringe theatre were much in evidence, including a late start (25 minutes) and an audience that ignored the "no smoking" signs...

The Bridge Lane Theatre, off Battersea Bridge Road and a few yards from the Latchmere of equal fringe fame, at least partly redeems itself with the dramatic fare on offer...

The minor civil servant comes up as he believes himself persecuted by his double, floundering through emotional and professional disasters...

and suddenly the stage is occupied with snarling, writhing figures whose words set off echoes. When poor paranoid Golyadkin wants to turn the clock back, he whizzes backwards like a film being rewound at speed...

No proper cast list is given, but there is no need to single out any individual from the accomplished quartet...

The group unfolds the story with energy, confidence and style. We see the world through the deided her's eyes

Bavarian Radio Symphony

David Murray

The last foreign guests at the Proms are the Bavarians, here to perform their principal conductor Sir Colin Davis...

One might look to last night's programme for native specialities (Bruckner's Seventh Symphony and the Sixth of Karl Amadeus Hartmann)...

In Stravinsky Davis has always favoured a heavy tread: the Symphony in C can be a battering exercise with his and here the lighter "sinfonica concertante" side of the Symphony in Three Movements suffered a little...

It wasn't, but it was thoroughly professional.

Contemporary Music Network season

Korean drumming, Argentinian tango music and Hungarian folk are among the highlights of the new season of tours by the Arts Council's Contemporary Music Network...

The season, the network's fifteenth, opens on October 14 in London, where eight of the nine tours begin...

Arts Guide

Theatre

NETHERLANDS Amsterdam, Stadschouwburg, Golden Gate Ensemble (24.23.11). Eindhoven Schouwburg, Chris Harris in his one-man show Kenny's Big, the comic story of a musical clown in Shakespeare's company...

WEST GERMANY Muench, Gastspiel Kulturzentrum, Carl Orff Saal Royal Shakespeare Company. A Midsummer Night's Dream, devised last year by Toby Robertson...

LONDON La Caze Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transatlantic show for all the family. Weak second act, less than vintage Jerry Herman music...

Notes On (Savoy): The funniest play for years in London, now with an improved third act. Michael Blake-More's brilliant direction of backstage showbiz on tour with a third-rate farce is a key factor...

NEW YORK Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically fine...

Chicago Pump Boys and Dinettes (Apollo): Fans look at country music and down-home country life with a good beat and some memorable songs...

La Caze aux Folles (Palladium): With some beautiful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original...

Notes On (Savoy): The funniest play for years in London, now with an improved third act. Michael Blake-More's brilliant direction of backstage showbiz on tour with a third-rate farce is a key factor...

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(we don't call it Office '2000' for nothing.) Right now though, all you need to invest in is the price of a postage stamp, for our 5200 BCS information pack. You could wait ten years, but someone else will have clipped your coupon by then.



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Wednesday September 10 1986

Long arm of the US courts

THE LONG-ARM tactics of the US courts are a cause of permanent irritation to America's allies and business partners. Like a vicious mosquito, it seems to disappear for a while only to reappear and attack with new vigour. Mosquito bites are, as a rule, not fatal, but they can cause great irritation.

At the root of the trouble is the fundamentally different approach to the discovery of evidence between the US and almost everyone else. While the general rule is that the production of specific documents only when convinced that these are relevant to well defined claims, the US courts are ready to support sweeping demands for documents and testimonies described in generic terms, and at a stage in proceedings when the parties' claims are in no way defined. Such fishing expeditions may be undertaken not only by parties which have a general grievance but also in order to discover business secrets or to subject a competitor to a trial by ordeal — the production of long loads of "evidence" being extremely costly.

Defensive statutes

A number of countries enacted so-called blocking statutes to protect their interests. These included Australia, New Zealand, Canada and India, and the matter became the concern of the Commonwealth Ministers of Justice. In Europe, such statutes have been enacted by the Netherlands and by France. The UK's Protection of Trading Interests Act of 1980 differs by not being aimed at defence. It has to be activated by directives issued by the Secretary of State in the form of an order laid before Parliament. So far this has only been done on two occasions.

By contrast, the French law, passed also in 1980, provides for an automatic blocking of foreign requests for information, making it a criminal offence to disclose to foreign governmental authorities economic, commercial, financial,

Industrial or technical information which may affect French interests or sovereignty.

Such a general prohibition of information going abroad, achieved also by the Swiss law for the protection of commercial secrets, may be going too far. The interaction of trade and of the securities industry requires efficient supervision, and this cannot be achieved without allowing the supervisors to communicate among themselves and also with operators in another country.

Confused issues

Two general rules should be observed. First, interested parties including those in dispute should be free to ask for and obtain information as long as this is provided voluntarily by those who have it. Second, it should be accepted that the jurisdiction of courts in one country does not extend over persons and property in another. Therefore when information is denied the only way forward is to ask for the assistance of local authorities and local courts, as provided by the Hague Evidence Convention, instead of trying to enforce demands by sanctions against foreign subjects.

These issues have been repeatedly confused in US courts. They tend to think that they can choose between the Hague Convention procedure or direct enforcement, sometimes ignoring even locking statutes. This confusion seems to have penetrated also the British Government's brief submitted to the Supreme Court of the US in the case of a French company subject to product liability proceedings in the US. The brief sought to apply the principle of territorial jurisdiction and only to ask that the enforcement of evidence abroad by US courts should be moderated by considerations of comity or mutual courtesy between courts and by balancing US and foreign interests. If this indeed is to be confirmed by the Supreme Court as US law, there will be offence to disclose to foreign governmental authorities economic, commercial, financial,

Unrigging the housing market

ANY POLITICIAN could willingly sign his name to the statement of objectives set out in the report on British housing policy just issued by the Royal Institution of Chartered Surveyors — that a comprehensive system of housing should be enabled to live in a suitable house in sound repair, without discrimination, with a free choice of tenure, and free from harassment. It is not clear how this should be achieved, but it is clear that special provision should be made for the old and disadvantaged. Virtually none of them, however, would support the measures which the RICS thinks necessary to achieve these objectives. Outside experts, on the other hand, would have only minor reservations about the report. The problem with housing is not to define a sensible policy, on which, as the institution says, there is now a clear consensus outside Parliament, but to persuade politicians to support it.

The present state of the housing market, the product of co-operations of political parties, is now the most important remediable cause of social injustice, regional decline and long-term unemployment. Sensible policies have now been put forward not only by the leading professionals and economists but by such diverse groups as the Church and the Duke of Edinburgh's Inquiry. A programme which would simultaneously improve labour mobility, relieve poverty, and mobilise entrepreneurial initiative ought to have general appeal. Bad economic policies, however, always create vested interests, and sensible housing policies seem as unattainable as sensible tax policies.

Adequate protection

The value of the RICS report is not that it contains new ideas — it does not claim to — but that it covers the whole field of housing policy, for possibly the only way to make any progress at all is to tackle the problem comprehensively, as the Americans have found in reforming their tax system. Piecemeal change in a distorted market produces new distortions which may be as bad as the old.

Each element in the familiar programme has its rightful supporters somewhere in the political spectrum. The abolition of mortgage tax relief has long appealed to the left, as well as the more logical minds on the right. The relaxation of rent control was actually set in hand by Richard Crossman's Socialist, but the right is still afraid to go the whole way. A reform

of planning legislation might help, but it frightens the conservatives on the right, and those on the left to whom any new profit opportunity is a red rag. Yet these three changes taken together and backed by a comprehensive system of housing benefit based on need, would produce a functioning housing market and, above all, a revival of the rented sector, which could not only restore mobility and thus enable the labour market to function, but could recreate the kind of investment boom which this country enjoyed in the 1950s when the housing stock is to be maintained at a reasonable standard.

Each element is essential if the benefits are to be reaped. Abolition of mortgage tax relief would not only provide the financial resources for a sensible system of benefit, but it would provide level advantages for owner-occupiers and private landlords. It would also dampen down the price inflation which might otherwise drive rents up too fast to be politically or socially tolerable. A better supply of housing land in areas of high demand pressure would further support these aims; but low-income families would still require some help, whether as tenants or as purchasers. The housing stock is to be maintained at a reasonable standard.

These principles, which are simply those of a social market economy, ought not to be contentious; indeed, they broadly define the practice of housing policy in many other countries. The details are, and ought to be, debatable. It is a matter of nice judgment how much support for the needy is justifiable to create a market for housing for future as well as present generations and to support proper maintenance — and how much might be more inflationary than helpful.

The role of the local authorities, both as landlord, and in assembling urban sites for private development, is also debatable; the RICS favours local decision-making and an energetic use of compulsory purchase powers, but others might be more cautious. The sanctity of the existing green belts, imposed in days when our major conurbations were expanding aggressively rather than decaying, is also a touchy subject. But all debate on the details is purely academic in the present political climate. We are still waiting to support one senior politician with the guts to say that these radical principles, so widely supported outside Parliament, at least demand urgent study.

HARDLY a week passes in South Africa without a court case which, in one way or another, challenges the immense powers given to the state under the internal security laws and the state of emergency. Last week the Supreme Court in Natal declared invalid emergency regulations which empowered the Commissioner of Police to confiscate or close down newspapers if they possessed or published anything which, in his opinion, was subversive. This week the hopes of thousands of detainees, and the attention of the legal fraternity, are focused on Bloemfontein, the country's judicial capital.

On Wednesday the Appellate Division of the Supreme Court in Bloemfontein sits to adjudicate between contradictory rulings made by two Natal courts last month which not only challenge the legality of the emergency regulations, but raise wider questions about the role of the law, parliament and the judiciary in South Africa. After three decades during which the Afrikaner-dominated parliament churned out a vast and confusing penoply of security and order laws restricting individual rights, the judiciary and a new breed of civil rights-conscious lawyers have recently shown an increasing willingness to exploit chinks in the legislation.

A milestone in this process appeared to have been reached early last month when, in the case of Tsenoni v the State President and others, three judges of the Natal and Coastal Division of the Natal Supreme Court ruled that Mr Lechesa Tsenoni had been illegally detained. The court ordered his immediate release. The legal argument hinged on the difference between powers granted by parliament to the State President under the 1933 Public Safety Act — which empowers him to declare a state of emergency — and the powers delegated to the security forces under sections 3(1) and 3(3) of the state of emergency regulations.

The court found that the regulations derived from the Public Safety Act, gave greater power to the arresting officer than the powers granted to the President, and were therefore invalid. The ruling, which in effect declared ultra vires the regulations under which the security forces have arrested over 12,000 people since the state of emergency began, led detainees across the country to apply urgently for their release.

A few days later, however, the Natal Supreme Court in Pietermaritzburg gave an opposite ruling. It found the regulation in question was valid and rejected an appeal brought by Mr Peter van der Merwe, a church worker. The three judges in the Pietermaritzburg court held that the Durban court's ruling would "defeat the obvious intention of Parliament which was to confer wide legislative power on the State President".

The Appellate Division of the Supreme Court in Bloemfontein must now rule on the contradictory rulings in valid. The Bloemfontein court, the highest in the land, is the final court of appeal for the five provincial courts of the South African system. In the meantime, Mr Tsenoni and a handful of others remain in detention. Whatever the verdict in Bloemfontein, the latest confusion has brought into sharp relief much broader questions about

South Africa's judiciary

The power of the state goes on trial

By Anthony Robinson in Johannesburg

the role of the judiciary in a country where the government has for years boasted of judicial independence, while introducing some of the most comprehensive restrictions on individual liberties anywhere in the world.

Professor John Dugard, head of the Centre for Applied Legal Studies at Witwatersrand University in Johannesburg, and one of the country's most respected legal academics, traces today's conflict between the executive and the judiciary back to the victory of the Afrikaner-dominated National Party government in 1948. Before then the South African Supreme Court had enjoyed the reputation of being the best in the British Empire. The legal system, based on Dutch-Roman law, is heavily influenced by British legal practice. As in Britain, judges are appointed by government entirely from the ranks of the bar.

When the National Party took power it inherited judges chosen by the previous United Party government led by General Smuts. These judges were in the main out of sympathy with the racially based laws and security legislation introduced as Gen. Smuts built up the apparatus of apartheid. The new government reacted by making its own politically inspired appointments to the bench, replacing many English speakers with pro-government Afrikaners. This process culminated in 1953 when the government increased the size of the Appellate Division from 5 to 11, ensuring a majority of executive-minded, mainly Afrikaner, judges enabling it to force through the removal of Coloured voters from the electoral roll.

In the following years, as men like Dr Frederik van Zyl Slabbert, former leader of the opposition Progressive Federal Party (PFF), resigned

from parliament declaring that it was an irrelevant farce. Mrs. Helen Suzman, the veteran MP and PFF spokeswoman on law and order, declared in a no-confidence debate two weeks ago that the emergency regulations had been drawn up by "men drunk with power" who paid scant regard to the clarity of language and none whatever to the laws of natural justice. Liberal lawyers have added to the criticism by categorising the state of emergency as an attempt to achieve "order without law".

Faced with the shortcomings of parliamentary sovereignty in the South African context, interest has been mounting in

the concept of a US-style bill of rights as the bedrock of a stronger defence of civil rights. In February the Federated Chamber of Industries (FCI), one of South Africa's most important employer organisations, drew up its own six-page proposal for such a bill. In Natal negotiations between representatives of all races for a multi-racial executive and legislature for the province have also centred on a bill of rights which was drawn up last month.

The concept is also gaining support among the judiciary. Last autumn Mr Justice Milne, the Judge President of Natal province, called for a bill of rights which, combined with the power of judicial review, could help prevent political abuses and protect minority rights. One of the key arguments used to persuade businessman

Waichers of the University of South Africa. He argued that such a bill, which would include the right to private property and private business in addition to guarantees of equal protection under the law irrespective of race, colour, language, sex, religion, ethnic or social origin, age, property, birth, political or other opinion or economic or other status, would help to ward off the spectre of expropriation and nationalisation by a future black-dominated government. Cautious support for the bill of rights concept was also expressed by Mr Koos Coetsee, the Minister of Justice, at last month's congress of the National Party in Durban.

Despite the growing criticism, the government continues to hold the judiciary up for acclaim as an independent institution which distinguishes South Africa from the dictatorships and one-party states of much of the rest of Africa. When the Minister of Justice opened a police station and magistrates' court in the Northern Cape earlier this year he went so far as to claim "our legal system cannot be out-classed. The truth is there are no courts anywhere in the world whose judges' and magistrates' integrity is higher than ours."

It was a statement which amused many in the legal fraternity. Two years ago, Professor Raymond Wacks of Natal University, had roddily declared "the only honourable course for a moral judge in South Africa is to resign."

The growing realisation by judges that respect for the law and its practitioners has declined seriously, especially among blacks who are so often at the receiving end, is one of the powerful forces behind the new-found willingness of judges to challenge executive abuse of his powers, Professor Dugard believes. Another important factor is the emergence of a new breed of civil rights lawyers, academics and organisations modelled on, and partly financed by, civil rights lawyers and organisations in the US. One of the most significant signs of a fresh approach by

the judiciary is the phasing out in the early 1980s of the 30-year practice of selecting executive-practiced, pro-government judges for political trials.

Now such cases are taken by judges on a rota basis. Although there are still many conservative, pro-government judges in circulation, the outcome of political cases is no longer a foregone conclusion. According to Professor Dugard, the appointment of Mr Justice Ralbe as Chief Justice in 1982 has also brought a new whiff of independence to the top of the profession.

The largely English-speaking province of Natal has gained the strongest reputation for judicial independence and "liberal" interpretation, one of the reasons why so many civil rights cases are argued out in the Natal courts.

Mr Justice Milne is widely regarded as one of the foremost "liberal" judges, a reputation enhanced by his handling of the recent treason trial in Pietermaritzburg. This led to the release of all 16 defendants after tough cross-questioning of the state's case.

In the Transvaal, where most of the judges come from the conservative Afrikaner-dominated Pretoria bar, judges like Mr Justice Goldstone are widely perceived as having re-introduced a more rigorous approach to the often ill-prepared cases put forward by the state in civil rights and other matters.

In themselves, the courts cannot do much. They can only ensure that the powers delegated under the emergency regulations, for example, do not exceed the wide powers given to the government under primary legislation approved by Parliament. But the fact that they are now exercising that function with real

broader significance of all this is that the growing political challenge to the legitimacy of the South African minority government in the streets and townships is finding a parallel in the courts which for nearly four decades have thrown a veneer of formal legitimacy over laws viewed by millions as unjust, repressive and discriminatory.

The Government continues to hold the judiciary up for acclaim as an independent institution—despite the growing criticism

the concept of a US-style bill of rights as the bedrock of a stronger defence of civil rights. In February the Federated Chamber of Industries (FCI), one of South Africa's most important employer organisations, drew up its own six-page proposal for such a bill. In Natal negotiations between representatives of all races for a multi-racial executive and legislature for the province have also centred on a bill of rights which was drawn up last month. The concept is also gaining support among the judiciary. Last autumn Mr Justice Milne, the Judge President of Natal province, called for a bill of rights which, combined with the power of judicial review, could help prevent political abuses and protect minority rights. One of the key arguments used to persuade businessman

Forward from Dallas

At 10.30 this morning when the loyal viewers of CBS, the embattled US broadcasting giant, are normally watching game shows like "Break the Bank" and the "Card Game" the directors of America's most famous TV network are holding a board meeting. And paying by the gossip on Wall Street. There is a far more breathtaking than Bobby Ewing's return from the grave in next Friday's episode of Dallas.

For days, speculation has been swirling about the meeting which comes at a time when CBS's profits are falling, and its prime time ratings are slipping. There is a far more breathtaking than Bobby Ewing's return from the grave in next Friday's episode of Dallas.

Like his predecessor, FitzGerald will join the main Unilever boards as their youngest member in May next year. But at 41, he will be three years older than Stenham was when he took over the financial reins in 1970.

FitzGerald joined Unilever as an accountant in 1967 after leaving University College, Dublin, with a degree in commerce. His career with the group since has covered a wide slice of its international operations. After his two years as Stenham's assistant, he was appointed an overseas commercial officer with responsibilities for operations in countries as far apart as Japan, Turkey and Kenya. In 1978, he became Unilever's first commercial officer for North American operations; and from 1980-85 was financial director of Unilever South Africa before returning to London as treasurer.

Unilever delighted the City a few weeks back with bil-

Men and Matters

agreement limiting his stake in the company to 25 per cent and Newsweek says he has the backing of William Paley, the 64-year-old CBS patriarch, who still controls 8 per cent of the company.

Running high

Unilever has chosen one of Anthony "Cob" Stenham's former personal assistants to succeed the group's long-serving financial director who is departing for a new career with Bankers Trust.

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"Wouldn't surprise me if Arthur now demands a secret ballot before we accept the pay increases"

year profits soaring to \$518m — and FitzGerald says he is "lucky to be joining a highly successful team with a smoothly-running machine pointed in the right direction". But, he adds, it is a huge and complex operation in which everyone needs to keep on his toes. Running, however, just happens to be one of his favourite pastimes.

Domesday

Battling to win concessions from its creditors, the ailing Canadian energy producer Dome Petroleum has turned to less conventional sources to help bring down its C\$6bn debt. The Calgary-based company managed to raise C\$110,000 (\$55,000) last week by auctioning 200 desks, 700 chairs and

other pieces of surplus office furniture, most of them in need of repair.

Bill Wigley, a local auctioneer who handled the Dome sale, reports that business in used furniture is brisk as one oil company after another lays off staff and vacates costly office space. Low oil and gas prices have put an estimated 40,000 people out of work in Western Canada so far this year.

Over 500 buyers attended the Dome sale, some from as far afield as Vancouver. The mood at the auction was a sharp contrast to the gloom currently pervading Western Canada's oil industry or the frustration of Dome's creditors, who have recently been asked to forgo interest and principal payments on the bulk of their loans. According to Wigley, "We try to create a fun atmosphere. It helps the prices."

New Gulliver

Bloody but unbowed after his Argyl group's bid for Distillers was frustrated by Guinness, James Gulliver has turned to new interests.

Gulliver has endowed—with a sum, it is said, of about £100,000 of his own money—a chair of business studies at Buckingham University, the independent seat of learning celebrating its tenth anniversary this year. Gulliver, himself a Glasgow University graduate in engineering, announced the endowment at a Savoy Hotel lunch attended by Education Secretary Kenneth Baker. Buckingham's business studies programme is the university's second biggest and the James Gulliver Chair enables it to appoint two further lecturers—in marketing and in production and manufacturing systems.

Gulliver says: "I hope the chair will act as an example to other well-off businessmen and companies. We must never forget that our economic growth is directly related to the place that we give business education in our society."

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Observer

Stewart Fleming interviews Mr Barber Conable

A banker's balancing act

WHEN last month, Mr Barber Conable, the newly installed president of the World Bank, reports to his shareholders on the operations of an institution which lends over \$15bn a year to developing countries, the expectations of government officials and bankers in his audience will be high.

Mr Conable agrees that two months after he officially took office, an atmosphere of uncertainty—a top official uses the word "paralysis"—has gripped the institution. Already some 7,000 staff are fearful that the modest and approachable man in the president's office, who with the light touch of the average businessman, is about to transform their working lives in ways they may not like. Others, contrarily, fear that the patience which this cautious and pragmatic politician is showing means the far-reaching changes and the firm leadership they yearn for will not materialise.

But most agree Mr Conable has begun to make some kind of mark. "I have started out here heading up the president's office," the new president says. "I have a management committee, which was a structural device at the top designed to achieve consensus in the Bank management. That consensus, he maintains, simply was not there on many occasions, all of which obscured accountability and raised 'all kinds of confusion about who was making decisions and when they were to be made.'"

Mr Conable wants there to be no doubt that today accountability rests with him. It is a view which will endear him to those in the bank who believe that history has demonstrated



Mr Barber Conable, president of the World Bank

that strong, presidential-style leadership is needed to make it function effectively. He evidently hopes, too, that this will diminish conflict within the institution, which he says is typical of a bureaucracy. "I regret the degree of polarisation there seems to be between the board and the management, the (developing and developed) countries and the bureaucracy and the policy people." Neither is the new president aware of the fact that some feel the time for a change is running out. "I am not going to fail anyone," he says, "but for the purpose of demonstrating my control of the institution," he says. Nonetheless, necessary changes will be made by the end of the year. Then it would be a question of buckling down to "make the existing structure work as people expect it to."

Mr Conable's programme for the Third World, which heads that list of expectations. "I think one of the major elements in our operations will be a co-ordinating role," by which he means trying to ensure that all the agencies, bilateral and multilateral, work effectively in the Third World. "But," he adds, "it means inevitably more adjustments, the sort of shorter term advances to developing

are not coming forward (private bank lending to the Third World has been falling this year) he says he believes that the banks do "seem willing to participate" in the huge \$12bn refinancing package for Mexico.

He adds that when he visited New York in July for private chat with the banks—the personal sort of diplomacy he favours—they wanted reassurance about what the World Bank would bring to the party. "They wanted to know that we were not just putting in a couple of hundred million dollars. In fact the bank is undertaking a \$300-plus lending programme in Mexico in 1986 and 1987."

On some of the burning issues facing the Bank as it prepares for its annual meeting at the end of the month Mr Conable is however, tight-lipped. He says, for instance, he is not aware of any adverse impact on the Bank's relationship with black Africa stemming from the apartheid struggle. Asked about the doubts whether donor countries will reach agreement on providing new funding for the International Development Association (IDA), the World Bank agency which lends to the poorest countries, Mr Conable concedes there could be a problem. "The problem is that Japan, if it is to put in more money for the IDA, wants a bigger shareholding in the World Bank. Bank officials complain that in return the US which would have to surrender some shares to accomplish this, is pressing Japan for concessions on, among other things, bilateral economic policy issues. "If they do not agree between themselves obviously that will slow the process down," Mr Conable says guardedly.

THERE IS a basic mystery, or is there? According to common opinion, European unemployment went up in 1974-76 and 1980-82 because of the oil price rise. If the opinion is right, one would expect unemployment to come down when oil prices fall, as in 1985-86. Yet few forecasters are expecting much of a fall, if any—as the OECD projections show.

Are they wrong? Probably not. For the bad employment effects of the oil price rises came in two phases. In the first phase unemployment rose due to the direct effect of the price rise in depressing the real demand for European output.

But at the same time the oil price hike increased the core rate of inflation. People did not like this and in consequence further deflationary action was taken to increase unemployment and thus to reduce inflation to where it was before the inflation. This led to a second phase of increased unemployment—induced by the government's reactions to increased inflation.

This provides the clue to our mystery. The fall in oil prices may eventually have some benevolent "direct" effect on European employment. But it is not clear whether the fall in oil prices will have any permanent effect on this. In the UK, which is roughly self-sufficient in oil, a fall in oil prices means that the gross profits of oil companies fall, and thus the profit wedge between wages and prices is reduced. This bonanza for workers initially makes it easier to contain inflation at any given level of unemployment. But in due course workers may come to take the new living standard for granted. Economic work by Stephen Nickell and myself suggests that by general reflation (even done slowly) it would be very difficult to hold unemployment below 23m for any long period without ever-increasing inflation. This means that we need a strategy for changing the NAIRU. I have tried to set one out in my book, *How To Beat Unemployment*.

Inflation and unemployment

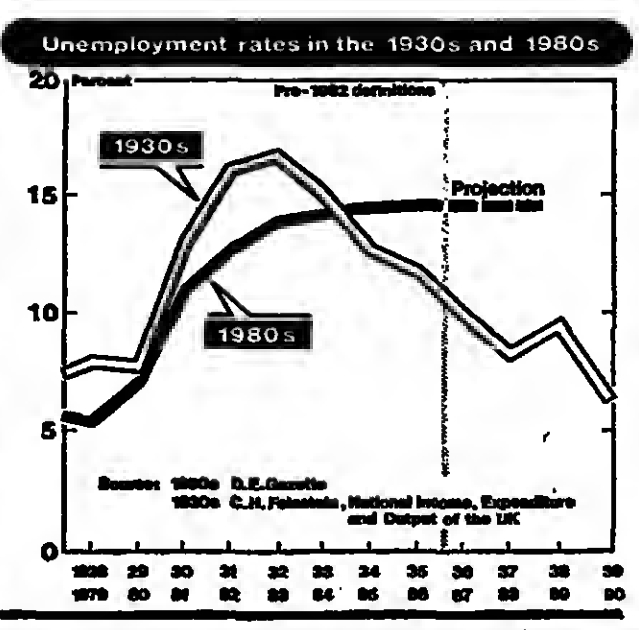
Let us seize an opportunity

By Richard Layard

to reduce the level of unemployment consistent with non-accelerating inflation (NAIRU). It is not clear whether the fall in oil prices will have any permanent effect on this. In the UK, which is roughly self-sufficient in oil, a fall in oil prices means that the gross profits of oil companies fall, and thus the profit wedge between wages and prices is reduced. This bonanza for workers initially makes it easier to contain inflation at any given level of unemployment. But in due course workers may come to take the new living standard for granted.

The strategy has many elements. Jobs must be targeted towards the long-term unemployed, through a job guarantee for which the Charter for Jobs will be seeking to promote a Private Members' Bill. There must be a huge expansion of training. There must be cuts in employers' national insurance contributions on disadvantaged workers. But above all, there must be a permanent incomes policy—to restrain the permanent inflationary pressure that will otherwise persist.

The best mechanism would be a counter-inflation tax. There are a number of misconceptions about this proposal. Let me clear them up. 1—There would be a nationally agreed norm (or other less offensive term). This would apply to the average level of earnings in a firm. It would not apply to the earnings of any particular individual or grade of workers. 2—If a firm paid more than the norm, the policy would not collapse. Instead the firm would pay a tax postally equal to its excess wage bill. 3—The aim of the policy is to stop inflation rising, not to reduce real wages. Thus one could imagine a policy in which the norm was set typically at say 1 per cent below last year's price inflation. Some firms that wanted to attract labour or reward extra productivity growth would find it worthwhile to pay more than the norm. 4—The scheme would be very simple to administer. Earnings would be defined as for PAYE, and each firm would calculate its own tax liability and send off a cheque at the same time as its cheque for PAYE. 5—It need not discourage productivity-improving deals between management and workers. These could be achieved if the limit on earnings growth did not apply to any growth in profit-related pay arising from genuine increases in profits. Many firms dislike the idea of the counter-inflation tax. But they also want more business. Present government policy is not going to provide that. Other policies which do provide business will also provide inflation, unless we can devise some form of viable incomes policy. 6—The scheme is not a new one. We are developing a culture of unemployment, such as began to develop in the 1930s. At that time, as now, it was said that the unemployed either did not want to work or were not suited to the work available. Then, as now, there was some truth in the stories of work-shy workers and ill-trained hands. But then demand arose and the fall in unemployment was striking. Under current policies there is no prospect of unemployment falling as it did in the 1930s. But with more demand it would. And, equally, inflation would rise unless we face reality and lock it in. Let us seize the opportunity of the oil price fall to expand now. Zero inflation would be a hollow victory, with resources and lives running to waste.



Output and employment

From the Group Economic Adviser, Barclays Bank
Sir—Samuel Brittan (September 8) refers to the fact that the relationship between the growth of total output and that of employment varies from country to country. This is not surprising in view of long-term differences in the growth of output per person. What is perhaps more interesting is the sharp contrast in Britain between the period 1979-85 and the six years before 1979. The growth of GDP was about the same in the two periods at 3 per cent (GDP rose in 1979-85 and fell by 3.9 per cent between mid-1979 and mid-1985, whereas it rose by 1.3 per cent in the earlier period). The contrast supports the view that the much greater rise in unemployment since 1979 cannot be interpreted simply as a deficiency of demand. Neither can it be explained, for the same reasons, by differences in the growth of the labour force or of the capital-intensive oil sector; for these were not significant.

Various hypotheses might account for the difference. One factor on which I would place some emphasis (see *Barclays Review*, August 1985) is the higher level of interest rates. In the short run, at least, this causes firms to squeeze out possibly "spare" labour more than it leads them to substitute labour for capital.

Harold Rose, 54 Lombard Street, EC3.

Small investors betrayed

From Mr J. Roberts
Sir—On the day that as a shareholder I received from Guinness the circular relating to directorate changes, I read in the FT that institutional shareholders are likely to approve them. A question whether, even allowing for vagaries of the postal system, notice of the extraordinary general meeting was despatched in time for members to have 21 days' notice. More important, however, your report means that once again the institutions are abrogating their responsibilities. Given the actual (rather than legal) impotence of the small investor when oppressed, the self-regulatory system relies on our larger brethren for enforcement. At a time when mega-bids were raising concern at concentration of power, the Guinness acquisition of Distillers went ahead with the assurance that the rules of chairman and chief executive would remain separate. That promise has been broken. If the chief executive would

Letters to the Editor

submit to authority of a chairman, such a person could have that power follows them into retirement. Supporters of a minimum wage do not argue that it is a panacea. Changes in the tax and social security systems are essential components of an anti-poverty strategy. But seeking to solve poverty through fiscal measures alone is to treat the symptoms of the problem without tackling the cause. The result is that the taxpayer is required to meet the bill of providing adequate incomes for the low paid. Instead of employers. Not only does this create stigma for those required to depend on state benefits, it is also wasteful and inefficient in economic terms. Chris Pund and Dominic Byrne, Low Fog Unit, 5, Upper Berkeley St, W1.

An anti-poverty strategy

From Mr C. Pund and Mr D. Byrne
Sir—Your critique of the TUC plan for a national minimum wage (September 8) is based on two contentions that are seriously flawed. First you refer to the OECD's analysis of the French "saire minimum" to support your claim that a minimum wage would increase unemployment, especially among young people. Yet your own report of the study (August 18, 1985) points out that the OECD admits that studies of the minimum wage, which is increased regularly by more than the inflation rate in order to boost low incomes, have produced no evidence that it had a significant effect on wage inflation or unemployment. The French minimum wage currently stands at the sterling equivalent of £90 a week, slightly higher than the initial level suggested by the TUC. Your second contention is that "the real problem in Britain is not low wages but low incomes." Directly raising low wages has no place in tackling poverty, you argue, because it is not just the low paid who are poor. Recently published official statistics show that low pay is the single most important cause of low income. Over 4.1m people were living in poverty or on its margins in 1983 despite the presence of at least one full-time wage-earner in the household. Even these figures hide the indirect effect of low pay in generating poverty. Among the elderly, for example, those who are unable, through low earnings, to

groundless. Pensioners do not at present pay national insurance contributions; therefore they will have a special tax rate (the same as the present rate) if they do not lose out from the integration of NICs with income tax. They will also be fully compensated for any increase in the married man's tax allowance. The result of the reforms as a whole will be that pensioners will be better off than before. It is a pity that these points were not reported, although they are clearly stated both in the *White Paper* and in the policy document and in the summary of the proposals. As secretary to the SDP working party on taxation and social security, I can confirm that the Liberal Party has been closely consulted on the proposals. Josephine Hayes, 3 New Square, Lincoln's Inn, WC2.

Refuse in the Thames

From the Chairman Thames Water
Sir—I am grateful to Peter Newman (Flying) for his comments on the unsightly state of the tideway. Both Thames Water and the Port of London Authority share his concern. The PLA is the navigation authority for this section of the Thames, and as such is responsible for clearing hazards to navigation. Such hazards are usually big solid objects which could damage a boat. We are responsible for controlling pollution, but that relates essentially to the "health" of the water in adjacent areas. We do go by controlling discharges to the river, and by regular water-quality monitoring. No one, however, has the responsibility for the clearing of surface rubbish such as that which we have said before that split responsibilities—there are some 80 bodies involved in the management of the tidal Thames—are not helpful in focusing positive action on the tideway. Mr Newman highlights one such problem of concern to us all.

Mr Newman may like to know, however, that we are already discussing this problem with the PLA and the London boroughs with the express intention of curing it. Roy Watts, 94 Smith Square, SW1.

Tied to the soil

From Mr N. Mullan
Sir—Prior to Mrs Thatcher's reshuffle, one thought has struck me. Why is it considered so important for the Minister of Agriculture always to be a farmer when it does not appear necessary for the Minister of Health to be a doctor or the Minister of Defence to be a military man? J. R. Mullan, 37, St George's Drive, SW1.

SDP plan helps pensioners

From Ms J. Hayes
Sir—The fears of your correspondents (August 30 and September 4) that pensioners would lose under the SDP's tax and benefits proposals are

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ECONOMIC STABILITY AND LIBERALISATION DRAW INVESTORS TO D-MARK BONDS

Germany attracts foreign funds

BY JONATHAN CARR IN FRANKFURT

FOREIGNERS are markedly boosting their long-term investment in West Germany, evidently attracted by good economic prospects, political stability and a liberalised capital market. As a result, the country looks set this year to register its first long-term capital surplus since 1981.

Figures released yesterday by the Bundesbank (central bank) show that the long-term capital account in July was DM 3.4bn (\$1.64bn) in surplus, after showing a deficit of DM 147m in June.

The long-term capital account for the first seven months is now no less than DM 25.4bn in surplus, after being DM 2.6bn in the red in the same period of 1985.

West Germany's overall capital account is clearly in deficit because of a strong net outflow of short-term funds. But the long-term figures offer a fairer guide to the investors' judgment of Germany's prospects, in the fourth year of economic upswing and before the general election next January.

The key single factor boosting the long-term capital inflow in July was the investment by foreigners of DM 5.6bn in German bonds (as well as another DM 500m in shares). By comparison, German residents invested just DM 1.2bn in foreign securities.

The inflow figure underlines the success the Germans have had in attracting foreign capital, since they abolished two years ago the coupon tax which foreigners used to have to pay on the interest received from German domestic bonds.

It also makes clear why foreign banks incorporated in West Germany are now being allowed to participate in the consortium which places federal government, post and railway bonds. With non-residents playing a decisive role in German bond-buying, it would have been difficult to exclude the foreign banks from the group for much longer.

It is against this background of a big net inflow of long-term funds

UK building group in \$283m US deal

BY CHARLES BATCHELOR IN LONDON

C. H. BEAZER, the UK housing and contracting and building materials group yesterday set the seal on four years of hectic growth with a \$283m agreed takeover bid for Gifford-Hill, a construction materials company based in Dallas, Texas.

The bid, which has the backing of just over 20 per cent of the US group's shares, will be financed by a two-for-three rights issue to raise \$185m for Beazer, net of expenses.

This takeover, if successful, will give Beazer annual turnover of more than £1.2bn (\$1.5bn) compared with only £1.6m in 1979.

It is a further step in the conversion of Beazer from a small house-builder into a broadly based UK construction company with growing overseas interests.

It is the latest in a series of takeovers in the US building materials industry, including Marley's purchase of General Shale Products for \$94m and Blue Circle's acquisition of Atlantic Cement for \$145m.

Mr Brian Beazer, the chairman and son of the company's founder, said: "Gifford-Hill presents an opportunity which matches our requirements in terms of country, currency and industry."

Gifford is the sixth largest cement producer in the US with five plants in the "Sunbelt" states. It ran into a difficult patch in 1985, but a cost-cutting programme led to an improvement in pre-tax profits to

Bank move threatens Wah Kwong rescue

BY DAVID DODWELL IN HONG KONG

EFFORTS to rescue Wah Kwong, the Hong Kong shipping group that founded in January with debts of almost US \$85m, suffered a setback yesterday when Chase Manhattan, a leading creditor, announced moves to arrest one of Wah Kwong's vessels.

Wah Kwong attacked the New York bank's move as "unreasonable" and admitted concern that it would hinder efforts to win backing from other creditors for a restructuring plan that has been under negotiation for six months. If they or trade creditors follow Chase's lead, the collapse of the group, which is Hong Kong's third largest shipper, would be almost inevitable.

Chase Manhattan said the arrest of the Sabodine Venture in New Orleans followed the failure of "repeated efforts to reach a compromise" on a plan to restructure Wah Kwong. Chase holds mortgages over three of the vessels in Wah Kwong's 66-vessel fleet and has been pressing to leave just one of these inside the rescheduling agreement.

An interim agreement between Wah Kwong's 46 main creditors to provide breathing space in which to draw up a survival plan expired on August 26, leaving the group with no revenue. Agreement on a survival plan is needed within days rather than weeks if the group is to avoid liquidation.

Ford UK calls for tighter monitoring of Nissan

By John Griffiths in London

MR DEREK BARRON, chairman and chief executive of Ford of Britain, yesterday called for close monitoring of the EEC content of cars produced by Nissan in the UK. He said much stricter criteria should be applied to all cars seeking to qualify as European.

He was commenting on an announcement on Monday, two years ahead of schedule, by Nissan that it will proceed to production of 100,000 cars a year by 1991 at its plant at Washington, Tyne and Wear, and perhaps eventually up to 200,000.

He said the new criteria should be a minimum 60 per cent EEC content, measured on an ex-works cost basis and "rigidly enforced."

He said Ford had not so far made any attempt to raise the proposal at industry level but warned that "if we don't do it now, we'll be sorry."

Mr Barron's EEC content proposal would be much more restrictive than current rules, which adjudge a car to be European if it has a 60 per cent local content measured by ex-factory gate price. This allows all overplants, and even the company's profit margin, to be included in the calculation.

The proposed criterion would not only exclude these, but also make it virtually impossible for a manufacturer to comply if it imported, for example, engines or transmissions from outside Europe.

Even a newcomer company's research and development, if not rooted in the EEC, should be made subject to royalties or licences, Mr Barron said.

In this way the EEC would ensure that "the price of the entry ticket" would be the same for incoming manufacturers as indigenous producers.

"You don't give someone the keys to the kingdom unless they're prepared to put down roots."

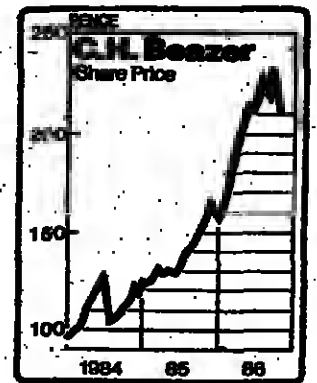
Mr Barron, who also disclosed sharply increased productivity at Ford's UK plants, stressed that Ford viewed Nissan as "just another competitor" and that Ford "has the capability and potential to compete with anyone."

However, he warned: "We have got to see Nissan as a 200,000 a year competitor."

THE LEX COLUMN

Ten-gallon deal for Beazer

When C. H. Beazer was bidding unavailingly for Bath & Portland - less than two years ago - it was still easy to dismiss Beazer as an ambitious small company in danger of making one bid too many. Several acquisitions later, with the successful bid for French Elze under its belt, there is no question but that Beazer has graduated into a league where the market has a ready appetite for the next deal, and even for the next sale of paper.



Yesterday's proposal to make a \$283m tender offer for Gifford-Hill, a US aggregates and cement business, was recorded every sign of respect, despite Gifford's mixed profit record, and the fact that it has been snuffed over by other potential bidders for a year or two; the market showed not the slightest quaver about underwriting a two-for-three rights issue to finance the deal. In fact, Beazer's shares proved impressively resistant to such a heavy acquisition of the equity, falling only 50p to settle neatly on the theoretical ex-rights price of 210p.

Not that the whole transaction is as cut and dried as this calm reception may suggest. Although the Gifford management is recommending acceptance, Beazer has no guarantee that it has done more than open a public auction in New York. As with the partial tender that Beazer made for SCB last year, which ended with SCB in other hands, Beazer may yet find that its spade-work has only prepared the site for another bidder.

Meanwhile, Beazer has refreshingly decided not to ask for the rights money until after the takeover has been completed; no Gifford, no rights. With too many shareholders in Gifford to permit a vendor placing a rights issue was perhaps the only way forward, but it would be a bit much to ask for a non-returnable £185m on spec. With a friendly £200m bridging facility from the Nat-West, Beazer can afford to wait; the point that it is worth going to well-capitalised advisers will not be missed by acquisitive chairmen.

Booker's difficulty in holding its shareholders' interest has been its tendency to sprawl. Its current shape looks almost trim with only three main divisions, plus the hotch-potch called Other Activities which holds the irrelevant but too

guinness are a worsening of the balance of payments and a small but significant rise in inflation, neither of them good for sterling.

It is not too serious yet, and there is no sign of a gilt edged buyers' strike scuppering funding plans. Cuts in international interest rates may well allow a base rate fall in time for the British Gas flotation. But it is hard to avoid the thought that this autumn could see the cyclical bottom of nominal interest rates as well as of inflation.

Guinness

Proxy votes for or against the resolutions to be put at tomorrow's Guinness meeting have already been lodged. But those who have chosen to vote at the meeting itself may still be undecided. That does not signify lack of resolve, but a proper regard for the complexities of the issue: the critical first resolution is an unsatisfactory composite, which does not allow the shareholders to vote distinctly on the key question of whether Mr Ernest Saunders should be both chairman and chief executive.

If one thing is clear from the events of the past few months - from the time when journalists were first given off the record hints of supposed shortcomings in Sir Thomas Risk - it is that Mr Saunders is the sort of meteoric chief executive who most requires the restraining hand of a chairman. The non-executive committee is supposed to take this role, but clearly lacks the authority of a single identifiable voice.

If voting down the resolution pushes the Guinness board and its advisers into adopting a more acceptable structure then the company will be better off. The worry for many institutions is that Mr Saunders and his colleagues might make such a rebutt a resigning matter. But Mr Saunders does not appear to possess a notably thin skin, and he has not taken the opportunity to swing the vote by warning that he would leave if crossed. It is natural to assume that he wishes to retain all his options. If the management were to walk out, however improbably, the Guinness share price might fall sharply in the short term. But in that case the institutions who ditched the old Distillers management should stand ready to canvass suitable replacements.

Bonn attacks US over rate pressure

Continued from Page 1

not take any of the measures it was being asked to do. But he claimed that the Bonn Government was already playing its part in equalising international trade imbalances.

The D-Mark, he noted, had appreciated some 10 per cent against the most important currencies since March last year and by 50 per cent against the dollar. Real domestic demand in West Germany would probably rise a "dynamic" 4.5 per cent this year.

The main thrust of his address, in presenting what is effectively an election budget - a general election is scheduled for next January - was to drive home the Kohl Government's commitment to cutting taxes and to promise to make greater efforts towards cutting back on tax breaks for industry, a common form of West German subsidy, in order to help pay for more reforms.

Mr Stoltenberg said his 1987 budget which, at a total of DM 271bn, is 2.5 per cent higher than this year's, would also require a DM 600m increase in government borrowing, sending total federal borrowing for next year up to DM 24.2bn.

He said the increase in borrowing had been forced on the Government, which was determined not to tinker with the tax cuts already in train, but had had to make extra payments into the EEC and also issued, in 1987, a forecast DM 5.7bn

Money supply rises

Continued from Page 1

three months two-thirds of loans made by clearing banks have been to individuals, with home loans rising by £1.5bn.

This surge in consumer credit has given rise to fears that it could seep into additional consumption and fuel a renewed rise in prices. At the moment, however, it appears that the personal sector has been building up its liquidity in deposit accounts at the same time as it is borrowing more.

Mr Giles Keating, economist at Credit Suisse First Boston, said: "The savings ratio is, if anything rising, so this credit is not shooting through to spending. It is being channelled through the housing market to predominantly older people who are building up their stocks of money in banks and building societies in anticipation of falling interest rates."

The Government's own finances resulted in a fall in sterling M3 in banking August, with a public sector borrowing requirement of £1.5bn offset by debt sales to the private sector of £1.5bn.

Other contributors to monetary growth, including the banks' external and foreign currency transactions and net non-deposit liabilities, such as rights issues by banks, were reflected in a contraction in sterling M3 of £200m.

Surprise backer in Guinness chief row

BY CHARLES BATCHELOR IN LONDON

MR ROBERT MAXWELL, chairman of the British Printing & Communication Corporation, intervened dramatically last night in the growing row over the management structure at Guinness to back Mr Ernest Saunders, the UK brewing giant's embattled chairman and chief executive.

The Guinness controversy is expected to come to a head at an extraordinary shareholders' meeting in London tomorrow at which Mr Saunders will seek approval for his plans.

Mr Maxwell's surprise intervention came on a day when the Co-operative Insurance Society (CIS), a major Guinness shareholder, said it would not back Mr Saunders and a third Scottish local authority said it would also vote against him and his fellow directors.

The Guinness board has come under growing pressure over the past seven weeks after it reneged on commitments made during its successful £2.5m (\$3.7m) acquisition of Distillers, the Scottish drinks concern.

Guinness first said it would set up a group board to be chaired by Sir Thomas Risk, governor of the Bank of Scotland. It subsequently presented a revised board structure with four new non-executive directors but with Mr Saunders still in the chair.

Mr Maxwell issued a statement saying that while the decision to drop Sir Thomas looked bad, it was not in the interests of the company, its workers or shareholders that he should be chairman.

"The real boss would always have been Mr Saunders," said Mr Maxwell, who revealed that companies and pension funds with which he was associated own 4.5m Guinness shares, or about 0.5 per cent.

"The company would have been a house divided. There cannot be two commanders during the reconstruction and reorganisation period."

Mr Maxwell did, however, urge Mr Saunders to abide by his pledge to move the head office of the company to Edinburgh.

"He (Mr Saunders) has justification for breaking one promise. Any further breach of the conditions on which the sale of Distillers was made would be intolerable. But Riskless Guinness is good for you, he said.

The Manchester-based CIS, which owns 6.5m Guinness shares, said it would vote against the Guinness board because it did not feel there had been the kind of radical change in circumstances to justify a departure from the board structure proposed in the takeover document.

In a separate move, the Central Regional Council in Scotland said it would be voting against the Guinness board proposals.

GM to axe British trucks

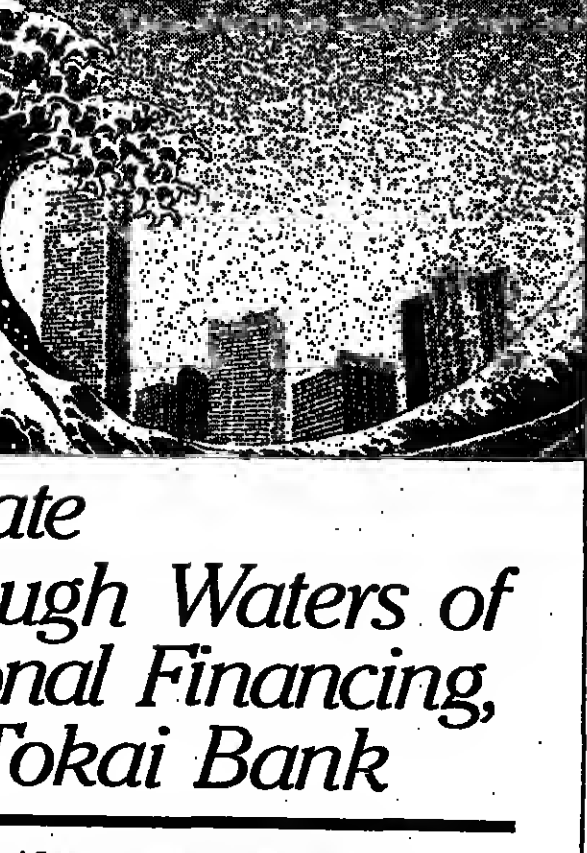
Continued from Page 1

cess of its own business in the UK, how could it have expected to make a success of Leyland? It proves we were right to object to GM getting its hands on Leyland.

"You don't see Mercedes and Volvo going out of business. They are in there to win and it means you have to stay when the going gets tough, not quit."

Mr Jim Thomas, national organiser of Tass, the white-collar union, said "this means the virtual end of Bedford trucks and shows how thousands of UK jobs can be lost at the stroke of a pen in Detroit."

In 1980 Bedford produced a record 71,500 medium and heavy duty trucks. By 1985 the total was down to 37,000 and last year it fell to 14,500. This put it on a par with Western Europe's smaller truck producers, Leyland in the UK, MAN in West Germany and Daf in Holland and left it well behind Deimler-Benz, the Mercedes group, which had an output of around



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JOBS

The acid test of entrepreneurial mettle

BY MICHAEL DIXON

A GOOD test of people's entrepreneurial talents is probably how they react when they hear of a thriving business scheme devised by somebody else.

For instance on such occasions many, if not most of us, tend to say to ourselves "What a simple idea. Why didn't I think of it?" People who react like that seem unlikely to possess much entrepreneurial ability. For those who really have what it takes to generate jobs through making money there is nothing simple about creating a successful business venture no matter how straightforward it may look once it has been brought into being.

An apt illustration is provided by a newly signed international deal whose most noticeable effect will be to enable people in India to buy the machinery and operating licences to set up booths in which their fellow citizens can automatically take photographs of themselves.

Readers in the numerous countries where such booths are now commonplace might well imagine that any fool could think of transplanting them into India. In fact, however, the originators of the project spent a long time cogitating their brains before that supposedly obvious idea ever occurred to them.

The story behind the deal starts in the Indian hill town of Oota Ramund. Besides claiming to be the birthplace of the game of snooker it houses the country's principal company producing photographic films. The trouble is that the plant has a capacity for producing the photographic material far in excess of India's capacity to consume it.

The problem of making the plant economic defied a long succession of highly ranked people. Then relatively recently the prime responsibility was passed to a senior government official whose previous tasks had included selecting people to go to Britain to take the master's degree programme in management at Leeds University.

It is an unusual programme. At any one time it has about 35 students with an average age between 35 and 40. Most come from poor countries and are subsidised by United Kingdom taxpayers, through agencies such as the British Council.

"The rationale is that we'll take in people who'll go home to work in influential positions with a preference for using UK equipment," said Dr Jack Butterworth, professor of management at Leeds. "It doesn't always work out that way but I'm pretty sure Britain does better than break even on the subsidies."

All the students are required to arrive bearing a problem assigned to them by their employers which forms a focus for their studies. And since this aspect of the programme was known to the Indian official saddled with responsibility for the ailing film plant one of its rising managers was sent as a student to Leeds under orders to bring back a cure.

He concluded, with the help of fellow students as well as the university programme's tutors, that the best prospect lay in generating increased demand. But it was not until a good while later that the roaring trade done by the Photo-Me booth in the Leeds students' union inspired the idea of setting up similar facilities in India. Whereupon Prof Butterworth lent a hand by asking the managing director of Photo-Me International, David Miller, if his company would be interested in a deal.

"The idea of putting booths in India wasn't new," Mr Miller said. "We'd previously had occasional approaches from individuals there wanting to set up on a small scale, and we'd resisted them. The company wouldn't gain much more from scattering a few machines around such a huge country than it would get from putting them on the moon."

"But in this case the prospect was evidently much bigger

because a state agency was behind the inquiry. So when Jack Butterworth said he'd help all he could I decided to follow it up personally."

He found that Indian government officials were strongly interested in making a deal. To them it promised more than revival for a failing state-owned company. Their own working lives were frequently complicated by the tendency of large numbers of citizens to adopt false identities for such purposes of making spurious claims to ownership of land and cheating in examinations.

Fraud Deterrent

While requiring the claimants and exam entrants to produce photographic identification would be a useful counter measure it was blocked by lack of readily available and cheap enough means for most of the country's people to obtain the necessary photographs. So the wholesale import of booths offered a solution to a long-standing administrative problem.

"But I had to make a long series of visits for detailed discussions, often in company with Jack," Mr Miller added. "And it turned out to be just as well that I did the negotiating myself. Although government officials can't themselves

make quick decisions a company won't get far with them unless its representative is senior enough to decide what's necessary on the spot.

"I didn't find it easy to convince my own board. A key issue was that the Oota Ramund plant would supply the film for the booths installed in India and my fellow directors were anxious about quality control. It took patience, but the longer discussions went on the more interesting the prospects seemed. Even a development that first looked like a serious snag turned into an additional opportunity."

That particular crisis was the realisation that making the film for any conceivable number of booths likely to be set up by business people in India even with government assistance, would still leave the Oota Ramund plant with much unused capacity.

"We dealt with that by agreeing that if the plant could achieve the right quality of film at an acceptable price, our company would take what it could not sell on its home market for use in operations elsewhere," Mr Miller said.

A further problem arose when the Indian professional photographers' lobby started protesting against the scheme. One of the officials counter-argued with an offer that nobody could

refuse. He proposed that the booths in India should not be fully automatic. Each one would provide employment for a disabled person who would supervise it, take the money and press the button.

"That taught me another lesson," David Miller explained. "If you want to make deals at government level you can't think just in terms of business. You have to think politically."

"All in all, the whole exercise has turned out better than expected for everyone concerned," Jack Butterworth has done well from it too. He has persuaded both sides to put up funds for a joint development programme involving business training centred on Leeds University as well as research and technical work.

The only complaint Mr Miller and Prof Butterworth seemed to have is about the wording the Indian government used in announcing the scheme to potential booth buyers. It published advertisements headed by the slogan "Here's how to click your way to profits without really trying."

"The advertisements certainly did their job by pulling in an immediate response from over 3,500 eager applicants," the professor said. "But the bit about without really trying was insensitive to say the least."

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RECRUITMENT CONSULTANTS

35 New Broad Street, London EC2M 1NH
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

CJRA

Excellent career opportunity for a professional in the treasury function

TREASURY ASSISTANT

LONDON W1

£16,500-£17,500

Our client, a wholly-owned subsidiary of a major international energy group with highly diversified operations, invites applications ideally from professionals, age 24+, with previous experience in a dealing environment. Reporting to the Treasurer, responsibilities will cover daily dealing with banks and subsidiaries on cash/foreign currency position/requirements, keeping records of bank credit lines, loan documentation, etc, preparing analysis of interest and foreign exchange rate movements. There will be considerable telephone and written contact with banking and subsidiary personnel in Europe and USA. Key requirements are the maturity and presence to take on wider responsibilities outside the dealing room and to maintain accuracy under pressure. Initial salary negotiable £16,500-£17,500 depending on experience, plus non-contributory pension, free life and medical assurance. Applications in strict confidence under reference TA18143/FT will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager.

CAMPBELL-JONSTON RECRUITMENT ADVERTISING LIMITED, 20 NEW BROAD STREET, LONDON EC2M 1NH.
ORGANISATIONS REQUIRING ASSISTANCE ON RECRUITMENT PLEASE TELEPHONE: 01-439 7530.

Now we're in the pink on Wednesdays too.

Price Waterhouse



MORGAN GRENFELL ASSET MANAGEMENT LIMITED

UK Pension Fund Manager

Morgan Grenfell Asset Management Limited manages funds worth £13 billion for over 300 UK and overseas institutional clients. It is seeking an experienced Fund Manager to join its expanding UK pension fund management team.

The successful applicant, who is likely to be a graduate with several years' experience of portfolio management, will be expected to contribute to the development of investment strategy and will be directly responsible for the management of client portfolios.

The post offers excellent career opportunities and remuneration package including mortgage subsidy, non-contributory pension and BUPA.

Please reply in writing, enclosing full curriculum vitae, to:

Sally Barnes
Personnel Manager
Morgan Grenfell Group plc
23 Great Winchester Street
London EC2P 2AX

MORGAN GRENFELL

Harrison & Willis

TREASURY BANKING RELATIONS MANAGER

CITY £NEG

A pre-eminent US Investment Bank which is currently expanding its global presence and role in London has a high profile career opportunity available for a professional with a proven record of achievement in his/her career to date. This individual would be responsible for the development and maintenance of banking relationships throughout the City and Europe.

The ideal candidate will have a minimum of 5 years relevant banking experience. The individual will be keen to join an organisation which offers a dynamic working environment and compensates business achievements accordingly. In addition, strong communication skills and a commitment to career expansion should be demonstrated.

If you feel that you have the necessary qualities and would like to discuss this position, please telephone **Graham Palfrey-Smith** on 01-629 4463 (or 01-697 6811 after 8pm.) or write, enclosing a full career history, quoting **GJPS 360** to the address below.

HARRISON & WILLIS LIMITED, CARDINAL HOUSE, 39-40 ALBEMARLE ST., LONDON W1X 8PD. TELEPHONE: 01-629 4463.

Financial Controller

City £35,000 - £40,000 + Car + Bonus

Our client is a new international partnership being set up to become a major force in Foreign Exchange Broking.

They view as a key member of their management team the position of Financial Controller. The successful applicant will be an ACA with good knowledge of corporate and personal taxation in both the U.K. and U.S. It is likely that this person will have had several years post qualification experience with a financial institution and have had exposure to multi-currency accounting. Indicated age range 32-40 years.

Responsibilities will include setting up and running systems to minimise tax liabilities, producing management information reports, statutory accounting and overall control of all the support staff.

Those interested, with the right qualifications and experience, should write with full c.v. to Tom Kerrigan at Tom Kerrigan Associates, 20 Womwood Street, London EC2M 1RQ.

TOM KERRIGAN ASSOCIATES LTD
RECRUITMENT CONSULTANTS

Operations Directors

Investment Banking Group

£75-100,000 + substantial benefits

Occupying a strong and central position in the world's financial markets, our client is one of the City of London's leading investment banking groups. The bank now wishes to strengthen its management team through the recruitment of Operations Directors for two of its main trading businesses.

The Operations Directors will play a major part in the integration, control and development of the respective businesses. Responsible for all aspects of the financial and administration functions of the companies, they will work closely with senior management at both business and group level.

Each position will have increasing international content and a major impact upon profitability and will require considerable interpersonal and technical skill.

Applicants should be graduate qualified accountants with an impressive career record. Experience of the international securities industry is considered essential and must include both line management and systems development expertise.

Please write in confidence, enclosing a career/salary history and daytime telephone number, to **David Hogg FCA** quoting reference **H/481/WF**.

Lloyd Management
125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

Credit and Risk Management

Investment Banking

£40,000 + substantial benefits

Part of a major banking group, our client is a highly respected investment bank which is expanding rapidly throughout its trading operations, both in the UK and internationally. In a key position, the Head of Credit and Risk will manage 25 staff and have responsibility for the identification, control and monitoring of credit policy across the various business groups and products. Reviewing product policy and determining the risk implications of new products and new trading relationships in this fast changing environment, he or she will necessarily work closely with senior management at operation, company and group level. With a strong practical bias this director level position has enormous potential. Applicants should ideally have a broad range of credit and risk management experience, related to debt and equity securities, gained in an international investment bank. Strong interpersonal skills are essential.

Please write in confidence, enclosing a career/salary history and daytime telephone number, to **David Hogg FCA** quoting reference **H/487/WF**.

Lloyd Management
125 High Holborn London WC1V 6QA Selection Consultants 01-405 3499

COMPANY SECRETARY (Designate)

Retailing is one of the fastest-moving businesses in the world: its demands are considerable. A group of companies within the Sears organisation, one of the world's largest retailers, is now looking for a Company Secretary designate to replace the present incumbent who will be retiring in two years' time. The group includes such well known names as Selfridges, Lewis's, Walls and Miss Selfridge and is amongst the most successful retail organisations in the UK today.

Besides the usual legal and statutory matters, the Company Secretary is responsible for insurance, property leases, copyrights and trade marks, and is also involved with Pension Schemes and Agreements with various concessionaires.

The successful candidate will be an experienced negotiator and a good manager, possessing sound business acumen combined with a sense of urgency, which is such a feature of the successful retailer. Candidates should be over 30 years of age, legally qualified and should have commercial experience, preferably with a large retail group.

The position is based at Selfridges, Oxford Street. The scope and seniority of this position will be reflected in an appropriate remuneration package.

Please apply to Mr T Williams, Company Secretary, Selfridges Limited, 400 Oxford Street, London W1A 1AB.

Selfridges
THERE'S NO PLACE LIKE IT.

Equity Trading -INTERNATIONALLY-

-for the career-minded-

You are probably in your mid- to late twenties (perhaps even a little more mature) -
You have a successful track record in the equity business (with at least three years' experience) -
You have now reached a stage where you feel that your untapped reserves should be put to use in a more rewarding and sophisticated environment.

As the institutional investment management arm of one of the world's major corporate banks, we are certain that we can satisfy that need, for we are seeking someone with your experience and career objectives to join a small, elite team within our Securities Trading Department. Here you will have a first-class opportunity to develop your skills in international trading in a newly-equipped, high-quality trading room.

The starting salary will be more than competitive, and 'large bank' benefits include mortgage subsidy facilities, profit-sharing bonus, non-contributory pension and life assurance schemes, free medical insurance and a subsidised restaurant.

Please send your complete c.v. to Mary Thom, Personnel Manager, J.P. Morgan Investment Management Inc., 95 Pall Mall, London SW1Y 5ES.

J.P. Morgan Investment

FUND MANAGER CLEARING BANK up to £25,000

Our client is one of the U.K.'s leading clearing banks with a significant record of continuing growth.

At this stage of its development, it is seeking a Fund Manager to join its treasury team. This executive, reporting to the Treasurer, will be responsible for managing the bank's investment and trading in longer term instruments, in particular gilts and local authority bonds and also in corporate and Euro sterling bond markets. He/she will manage the bank's long term interest rate exposures, developing operations in swaps, options and futures markets.

This position offers an exciting challenge and good opportunities for expanding investment experience and career prospects in an environment with significant portfolios and new L.B.M. treasury systems.

Candidates for this position should be professionally qualified and have five years experience in fixed rate markets. He/she must have good people skills and positive self projection. The preferred age is mid-thirties to mid-forties.

Please send full career details, in confidence, to **Graham Lindsay** Personnel Search (Selection Consultants) Norfolk House 31 St James's Square LONDON SW1Y 4JL

Shepherd Little & Associates Ltd

Banking Recruitment Consultants

FOREIGN EXCHANGE DEALERS

SPOT **£20,000**
One of the new wave of Australian State Banks requires an experienced spot dealer to trade major currencies. Age 20/25.

FORWARD **to £30,000**
Major European bank wants a minimum of 2 years relative experience for a set-up situation to trade E/S. Age 25/30.

SPOT **to £30,000**
Swiss bank enjoying a good name in the markets is seeking a spot E/S trader. Age 25/30.

FORWARD **£25,000**
New position through early growth in an Australian bank will bring the number of dealers to 5. Age 20/25. Opportunity to trade Forward Aussie.

CORPORATE **£20,000**
To assist the Senior Corporate Dealer build up the business with a Swiss bank. A graduate well versed in corporate dealing is preferred. Age 25/30.
Please contact **Brenda Shepherd** or **Paul Trumble**.

Ridgway House 41/42 King William Street London EC4R 9EN
Telephone 01-626 1161

Chief Dealer

My client, a prestigious international bank is currently undergoing a degree of reorganisation and subsequent strengthening in the dealing area. To this extent they require a chief fx dealer with a heavy bias towards spot trading. Candidates should be in their late 20's to late 30's and have gained a solid dealing background with active and aggressive dealing rooms and have specialised in trading the major Euro currencies. Salary of £40,000 + bonus + benefits.

Spot Dealers

Several of our clients, including major European and US banks, seek spot dealers who are active in the market. Currencies to be traded include Cable, S/DM, S/Franc, S/Yen or any other major currency. Ideally candidates should be in their early twenties with a good trading background together with an aggressive approach. Remuneration level is totally negotiable, according to age and experience.

Options Trader

A US investment bank, are seeking to expand their currency option team. Candidates ideally should have a foreign exchange background and be interested in developing their career in the options area. This position has very good prospects for a bright, ambitious person. Salary negotiable.

FX Dealer

Our client, a European bank established in the City, seek a foreign exchange dealer. Applicants should have experience in the spot and forward markets trading all currencies, as well as the money markets. Ideally aged between 20s and 30s, salary level will be £23-25,000 + benefits.

Roger Parker Organisation 65, London Wall London EC2 5TU 01-588 2580

FX, TREASURY AND CAPITAL MARKETS RECRUITMENT SPECIALISTS

ASSISTANT COMPANY SECRETARY

Thames Valley **£20,000-£22,000 + car**

The quoted holding company of an expanding international British group with global sales in excess of £200m in technologically-advanced industrial materials seeks an Assistant Company Secretary.

Aged 28-36, the successful candidate will have a good degree in English law, will preferably have qualified as a solicitor or barrister or ACIS and will have worked for at least two years in the company secretariat of a public limited company. He/she will be responsible to the Company Secretary for day-to-day secretarial operations and for administration of the office premises and will have the opportunity to contribute in an important phase of company development. It is anticipated that the successful applicant would in due course succeed the current Company Secretary.

Applications, including a full curriculum vitae, should be sent to our advisers:

WRIGHTSON WOOD LIMITED
11 Grosvenor Place, London SW1X 7HR

Jonathan Wren BUSINESS/ACCOUNTING/ SYSTEMS ANALYSTS £neg aae

A major US bank is replacing its present accounting and associated international banking systems with PRIME hardware, PRIMOS software and CPL information equipment. Applications are therefore sought from ambitious individuals ('A' levels or graduates), aged 24 to 34 years with excellent communication skills. Candidates must be able to clearly demonstrate comprehensive programming analysis, testing and systems implementation experience, preferably utilising the above equipment, gained with a major bank. The FINANCIAL ANALYST position calls for management accounting, banking operations knowledge and ideally Lotus 1 2 3 experience. The BUSINESS ANALYST position requires an individual with proven team leadership skills as the incumbent will assume deputy head of department, design and analysis responsibilities. Contact Brian Good.

SOLICITOR £neg

A British bank, whose flotation on an overseas stock exchange is projected, seek a solicitor with 2 years post qualification experience. Initially, the position will have a strong company secretarial bias, although the prospect of moving into corporate finance or lending is envisaged within a 2 year period. A positive character, an enquiring mind and good communication skills are pre-requisites. Contact Richard Meredith.

SECURITIES SETTLEMENTS SUPERVISOR c£25,000

A recently established North American financial institution, with a strong presence in the international securities market, now plans to recruit an experienced individual to assist in the consolidation of its securities operation in London. They seek a mature individual with a wealth of knowledge of all aspects of UK and international securities, to include all settlement procedures in the major securities markets. Proven man-management skills and the ability to motivate staff are important factors as is the distribution and control of workload. Only those applicants who are willing to totally commit themselves to their work need apply. Contact Richard Meredith.

All applications will be treated in strict confidence.

SYDNEY

Jonathan Wren HONG KONG
Recruitment Consultants
170 Bishopsgate, London EC2M 4LX. Tel: 01-623 1266



**ELECTRICAL
CONTRACTORS'
ASSOCIATION**

Security Professional (Intruder Alarm Systems)

An experienced, commercially aware, executive with a detailed knowledge of the Intruder Alarm Installation industry in the United Kingdom is required to work in the newly formed 'Security Group' of the Technical Services Department. Technical knowledge is important, but secondary to business experience.

As the successful candidate will represent the industry at formal meetings, good personal presentation is needed, together with good committee and communicative skills.

The Electrical Contractors' Association represents the interests of over 2,000 member-companies, who carry out the majority of all electrical installation work in England, Wales and N. Ireland. It is one of the most sophisticated trade associations in the country and has an enviable history of operations since its formation at the turn of the century.

The role of the Technical Services Department of the Association is vital, not only to its member-firms, but also to the whole industry. The department services the technical information requirements of members, promotes technical excellence in the industry, and represents members' interests in the setting of Standards and Regulations nationally and internationally.

Based in central London, the position offers a five-figure salary and excellent conditions of employment. Age is not important, because a range of experience is being sought in the applicants.

Replies (marked 'Personal') to:

Director of Technical Services,
Electrical Contractors' Association,
34 Palace Court, Baywater, London W2 4HY

BROWN SHIPLEY HOLDINGS p.l.c. COMPANY SECRETARY

Brown Shipley Holdings p.l.c. now wish to recruit a successor to the present Company Secretary who is due to retire shortly.

The Company Secretary is responsible for all the usual company secretarial functions throughout the Brown Shipley Group, in particular those relating to a public listed company, as well as for certain aspects of group administration including the control of group assets, insurances and pension schemes.

The ideal candidate will be 35-40 with a professional legal or company secretarial qualification. Experience in the company secretarial department of a public company in the City would be an advantage but is not essential.

The remuneration package will include an attractive starting salary together with a competitive range of other benefits.

Please apply in writing to:

Head of Group Personnel & Administration,
BROWN SHIPLEY HOLDINGS p.l.c.,
Founders Court, Lechlery,
London EC2R 1BE

L'ORIENTAL BANKING

MARKETING OFFICERS £20,000

If you have at least 18 months' experience of marketing to large corporate clients then this major European Bank can offer you an excellent opportunity to enhance your career path. They need additional officers to strengthen their successful team and assist with the maintenance of their existing portfolios while concentrating on the development of new business. Candidates should be aged between 25 and 30 with previous experience of credit analysis.

For further details, please call Sandie Robinson

Personnel Recruitment Services Limited

Tel: 01-236 1113

EXECUTIVE JOB SEARCH

Are you earning £20,000-£100,000 p.a. and seeking a new job? Connaught's discreet and successful Executive Marketing Programme provides professional excellence in helping you to identify those unadvertised vacancies. Contact us for a free and confidential meeting to assess if we can help you. If you are currently abroad ask for our Executive Export Service.

32 Savile Row, London, W1 Connaught 01-734 3678 (24 hours)

The Executive Job Search Professionals

Deputy Treasurer

Capital Markets
West End of London £25,000-£30,000 + car

Our client is the parent company of a leading natural resources group based in London but with world-wide interests.

The need has arisen for a Deputy Treasurer (Capital Markets) who will be responsible for the Company's relationships with investment banks and for the Company's capital market involvement. The job will also entail interest rate and exchange rate management and optimising the Company's financing structure.

The job would suit a graduate, probably in the 30-40 age range. A MBA would be an advantage and membership of the Association of Corporate Treasurers is desirable. Experience of the corporate treasury function is essential, gained either in a major company or in a commercial or investment bank.

The salary package will include excellent life assurance and pension schemes. The Company also operates a share option scheme.

Confidential Reply Service: Please write with full CV quoting reference 2058/PH on your envelope, listing separately any company to whom you do not wish your details to be sent. CVs will be forwarded directly to our client, who will conduct the interviews. Charles Barker Recruitment Limited, 30 Farringdon Street, London EC4A 4EA.

CHARLES BARKER
ADVERTISING-SELECTION-SEARCH

UNDERWRITER

MORTGAGE/UNSECURED LENDING

An excellent opportunity for the ambitious Advances Executive to capitalise on experience by moving to our client, a Major US Banking Group. The post involves the analysis of proposals regarding secured and unsecured loan applications and consequent recommendations for action. Candidates will have at least 5 years lending experience of which our clients would expect to find three years credit analysis, preferably connected to consumer lending (both Small and Big ticket) and some knowledge of automated mortgage processing systems. Experience of the US Banking environment would be an advantage but by no means essential. A comprehensive benefits package, consistent with the banking world can be offered and the salary will be commensurate with a post of this level. Age: c 25.

For further details and first interview please contact:

ROBERT MILNE

on the telephone number below or write enclosing full CV

Crawford Recruitment Services Limited
Walmar House, 288 Regent Street, London W1R 5HE 01-631 5045

SALES AND MARKETING DIRECTOR £50,000 (SALARY, CAR, BONUS) HERE COMES PARADISE!! THE CASS LONDON MUSIC SHOW

A multi-million pound worldwide entertainment product that features, for the first time ever, a unique talent search for MR ROCK MUSIC, MISS ROCK MUSIC, MR SOUL MUSIC, MISS SOUL MUSIC, MR REGGAE MUSIC, MISS REGGAE MUSIC, to be launched in the early autumn of 1988 in London. The show will be staged in the following places: Europe, North America, South America and the Caribbean, Africa, Asia, Japan, and Australia. The Grand Finals will be held in the Eastern Caribbean in late 1987/early 1988.

As the SALES AND MARKETING DIRECTOR, you will be expected to be aged 25-40. Well educated, vibrant, alert, aggressive and smart, you will 'weasel and dial' dine, and meet the most professional people in the show business industry. Experience in media, broadcasting, and the entertainment industry is paramount.

Write in total confidence with your CV (including day time telephone number) to:
THE DIRECTOR, THE CASS LONDON MUSIC SHOW

CREDITANSTALT-BANKVEREIN London Branch

Business Development - Asia & Australasia

The London Branch of Austria's leading Bank is seeking to recruit an additional member for its Asia and Australasia Section.

The Bank specialises in arranging high value added transactions which are normally acquisition-led, tax-driven, or have a strong swap or capital market flavour.

Ideally, candidates will probably be in their late twenties, graduates or professionally qualified, with sound credit skills and extensive lending experience. They will now be looking to move to an environment which is strongly merchant/

investment banking orientated but one in which their strong commercial banking skills will be utilised to the fullest extent.

Although London-based, the job will involve significant overseas travel in the Asia and Australasia region for the right candidate in the medium term.

A competitive salary is offered plus all usual banking benefits. Please apply, with full c.v., in confidence, to Richard Barker, Senior Manager-Personnel, Creditanstalt-Bankverein, 29 Gresham Street, London EC2V 7AH.



CREDITANSTALT

UK equity traders

Smith New Court PLC is the securities group created through the merger of Smith Bros PLC and Scott Goff Layton & Co., and is the only independent market maker in the securities industry.

We now seek to expand our team of traders, and therefore wish to recruit experienced UK equity dealers.

Applicants should have broad experience in equity trading, be able to judge opportunities and risks in the UK equities market and act decisively and independently.

The remuneration package is highly competitive, and will reflect the experience and potential of the successful applicant.

Please write, enclosing your CV, to Bernard Brown, Administrative Director, Smith New Court PLC, Chetwynd House, 24 St Swithin's Lane, London EC4N 8AT.

Please quote FT 10/9.
All applications will be treated in strictest confidence.

**SMITH
NEW
COURT
PLC**

MEMBER OF THE STOCK EXCHANGE

Senior Appointments - Capital Markets

New Products Development

London
Leading US Investment Bank. A key link between the origination side and the syndicate, swaps and sales/trading function. Good overall exposure needed.

Director, Eurobond Trading & Sales

London
Prime Japanese Securities House seeks an accomplished individual to take full responsibility for Eurobond Sales & Trading.

Trading and Sales

Tokyo/Hong Kong
Leading US Investment Bank looking for experienced Yen Bond Trader. Additional sales people needed in Tokyo and Hong Kong.

Corporate Finance

Europe
US Securities House looking for additional banker with 3/4 years experience in equity/debt related transactions. Languages an advantage.

For further details please write or telephone in strictest confidence quoting ref. NJAP to:-

Rochester
Recruitment
Limited



SEA College Hill
London EC4N 8EP
Telephone:
01-248 8246

PRIVATE CLIENT STOCKBROKERS

Grow with us outside London

Vivian Gray is growing fast.

Join us and turn your back on the eternal commuting, the crowds, the pressure. The rewards are there if you're prepared to adapt.

We need two senior private client brokers to run our Hereford and Truro branches and other established brokers to join our branches in Cheltenham, Ipswich, Salisbury and Bournemouth.

Contact A. F. Norman-Butler, Partner, Vivian Gray & Co.
Ling House, 10-13 Dominion Street, London EC2M 2UX

Telephone: 01-638 2888

V I V I A N G R A Y

MEMBERS OF THE STOCK EXCHANGE ESTABLISHED 1871

A major Securities House seeks a high flying Graduate to become an Assistant Dealer in their rapidly growing Foreign Exchange Department.

FOREIGN EXCHANGE ASSISTANT DEALER

This position would suit someone who has undertaken a Graduate trainee programme with a major City institution or equally a trainee Chartered Accountant wishing to make a change of direction. A quick thinking individual who thrives in a pressurised environment and seeks the opportunity to progress will be given full training and a competitive salary and benefits package. Age early 20s.

Please contact Clive Hudson in strict confidence on 01-637 2881 or write enclosing a CV to MacBlain Nash Banking, Recruitment Consultants, Carrington House, 230 Regent Street, London W1R 5PE.

**MacBlain Nash
BANKING**

INVESTMENT MANAGER DIRECTOR DESIGNATE

to take full charge of setting up and running the investment arm of an established financial planning practice. Responsibilities will include client reviews and discretionary management. The successful candidate will have a broad experience in Equities, Gilts, Unit Trust and Bond management and may currently be managing an existing client portfolio.

As this is a top position, a top remuneration package will be negotiated to include full profit share.

We are a private company based in Poole, Dorset, with a high professional reputation in the financial services industry, now gearing up for the full implications of the Financial Services Bill. We are members of FIMBRA.

Career prospects are excellent, with a rare opportunity to build a capital base.

Full curriculum vitae to:

Mr. D. J. Tuson, Managing Director
CORPORATE PLANNING LIMITED
26-32 Hill Street, Poole, Dorset BH15 1NR

WEST MIDLANDS ENTERPRISE BOARD LIMITED

Venture and Development Capital
Investment Executive
Circa £17,000

The West Midlands Enterprise Board is a regional development agency providing investment finance, training, technical advice and other facilities for expanding businesses in the West Midlands region. The Board provides equity and long-term loan capital for developing unquoted businesses and, in addition to investing its own funds, WMEB is joint manager with Lazard Securities Limited of the £5m West Midlands Regional Unit Trust. The Board wishes to recruit a new Investment Executive, to work on his/her own initiative, as a member of a team of six executives, reporting to the Deputy Chief Executive—Investment.

The new executive will be responsible for appraising investment proposals coming to the Board, negotiating appropriate financial packages, making recommendations on new investments to the Directors of the Board, and supervising legal implementation of approved investments. He/she will also have responsibility for post-investment management of part of the total portfolio.

In addition to a university degree or professional accountancy qualification candidates will be expected to have at least 2 1/2 years' industrial, merchant banking, venture capital, or post-qualification professional experience. Sound judgment of people and commercial opportunities is an essential quality for the work, also a keen interest in assisting the successful development of business through an interventionist and publicly accountable development agency.

The Board has an attractive pension scheme and car loan package, and can offer assistance with re-location expenses to appropriate candidates. Please write with full curriculum vitae, explaining how your experience and qualifications match the job requirement, to:

The Chief Executive
WEST MIDLANDS ENTERPRISE BOARD LIMITED
Wellington House
31-34 Waterloo Street
Birmingham B2 5TJ
WMEB is an equal opportunities employer.

CORPORATE BANKING CONSULTANCY

D. C. Gardner & Co. Ltd., with two offices in London and a third in Amsterdam, are a leading corporate banking consulting firm. As part of the continuing expansion of the firm, which includes further international offices, we are now seeking several additional consultants to specialise, initially, on senior-level corporate banking training assignments. The assignments will be both within the UK and overseas.

Candidates will be experienced account officer/relationship managers working for international and/or merchant banks. Familiarity with recent capital market innovations is essential, as is the ability to communicate effectively at varying levels of seniority within our clients.

Attractive remuneration packages are available to the right candidates.

Please write, enclosing a detailed curriculum vitae, to:

Mark Ailsop, Director
D. C. GARDNER & CO. LTD.
8-9 New Street, London EC2M 4TP
Telephone: 01-253 7962

Head of Funding City

Negotiable Salary + Bonus +
Subsidised Mortgage

Our client, an expanding International Merchant Bank, is seeking a mature and energetic person to be Assistant Manager, responsible for funding. The ideal candidate should be in his/her 30s with a background in FX, deposits, futures and several years' supervisory experience. The successful candidate will be offered an excellent remuneration package.

For further details please contact:
Mark Hawkins on 01-236 8192
JAC RECRUITMENT
23 Colindale Hill
London EC4A 3JF

JAC

HARVARD SECURITIES PLC

Licensed Dealer in Securities
TUTOR REQUIRED

To create a programme of training culminating in a stiff examination, covering current and future Stock Exchange practice and Techniques of Investment.

The Course will be held two evening sessions per week, each session lasting 2-3 hours. Our continuous recruitment programme will ensure enthusiastic support, with classes of 20-30 pupils.

Excellent hourly rate of pay for the right, experienced person. Ring Steve Aquilina on 01-928 0686 for further details.

London subsidiary
of
International
Financial Group
seeks

CREDIT MANAGER

responsible for credit policy, credit assessment and liaison with Head Office credit committee. Extensive knowledge of the international financial market and international financial companies essential.

Experience of in-depth analysis of the UK, US and Australasian financial and associated groups is also required. Package around £30,000.

Please reply in writing to Box A0280
Financial Times
10 Cannon Street
London EC4A 3DF

RESEARCH ASSOCIATE

Competitive Salary
EuroRatings Ltd.

Proficiency in Personal Computer work, fluent with Lotus 1-2-3. Attractive candidates will have university degree, preferably pursuing an MBA or advanced degree. Numerate and literate with foreign language a plus.

Send c.v. and salary requirements to:

EURO RATINGS LIMITED,
6 JOHN STREET,
LONDON WC1N 2ES

UNIVERSITY OF MANCHESTER
MANCHESTER BUSINESS SCHOOL
FELLOWSHIP/SENIOR FELLOWSHIP
IN MARKETING/STRATEGIC
MANAGEMENT

Applications are invited for the above post. The successful candidate will be expected to have a minimum of 10 years' experience in marketing/strategy. The University of Manchester offers a competitive salary for the Fellowship which ranges from £20,000 to £27,000 per annum. The Fellowship is for a period of four years.

RECURRING SALES Members and Executive contact: Michael Green on 01-882 6464.

LLOYDS MERCHANT BANK GOVERNMENT BONDS

In preparation for 'Big Bang', Lloyds Merchant Bank Limited has launched a new company to trade in the Gilts market of tomorrow. Lloyds Merchant Bank Government Bonds will play a leading role in this highly competitive market.

Tailor-made for the new trading environment the new company is a product of design rather than expediency. To this end it has already assembled an experienced team covering the full spectrum of research, sales, trading and settlement.

Lloyds Merchant Bank Government Bonds is already operating from premises specifically designed to take advantage of the new market and to provide the type of investor driven service that we shall offer to our clients.

For candidates of the highest calibre who can work as part of a team, opportunities still exist to join a highly motivated organisation. In particular, we are looking for Junior and Senior Technical Analysts with experience in the financial futures and options fields.

Candidates exhibiting the necessary combination of expertise, dynamism and flair can expect a competitive package—plus the opportunity to work with one of the front runners in the market of the future.

Gilts

THE WAY AHEAD



Please apply to Bob Openshaw
Lloyds Merchant Bank Government Bonds
40-66 Queen Victoria Street
London EC4A 4EL
Telephone 01-248 2244

Lloyds Merchant Bank Government Bonds is a part of the Lloyds Merchant Banking Group

INTERNATIONAL FIXED INTEREST PORTFOLIO MANAGER

A major European Bank requires an experienced Fund Manager to take charge of and develop the International Fixed Interest Portfolio Management Service for the Private Client Department in London.

Package worth £40,000
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 This exciting new appointment provides a challenge for an ambitious person to establish an African portfolio as part of the Bank's diversification plans. Naturally, substantial travel within Africa will be necessary.
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The "Florida Exchange," which is one of three membership-based Exchanges in the U.S., generally patterned after Lloyd's of London, is seeking a successor for its retiring president this autumn. Candidates must be dynamic, have extensive management skills and ideally, be a seasoned, well-known insurance executive with a strong administrative background obtained in a company and/or brokerage environment. Position will entail close liaison with Florida regulatory authorities, contacts with authorities of other states and with private associations and companies.
 Candidate should be a capable speaker as PR work will form a goodly part of the task. As Exchange is self-regulating under the supervision of the Florida Insurance Department, candidate must have the strength of character to patrol and police ably and fairly for the common good, a diverse group of entrepreneurial personnel drawn together on the Exchange. Position involves some travel and a compensation package commensurate with experience and credentials. Age is no barrier.
 Interested candidates should send detailed resume to:
 Mr. Arturo Toro, Jr.
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 245 Southeast First Street
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NEWLY QUALIFIED ACCOUNTANCY APPOINTMENTS

The Financial Times has arranged with the Institute of Chartered Accountants to publish a list of those candidates who were successful in the recent Part II examinations. We propose to publish the list in our issue of Thursday, September 25, which will also contain several pages of advertisements under the heading of "Newly Qualified Accountancy Appointments." The advertising rate will be £41.00 per single column centimetre. Special positions are available by arrangement at premium rates of £49.00 per cc.
 Newly qualified Chartered Accountants are never easy to recruit—do not miss this opportunity! We will also be including in this feature a
GUIDE TO RECRUITMENT CONSULTANTS
 and entries in the Guide will be charged at £80.00 which will include company name, address and telephone number.
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SECTION II - COMPANIES AND MARKETS
FINANCIAL TIMES

Wednesday September 10 1986



Volker hit by weaker currency

By Laura Reun in Amsterdam
VOLKER STEVIN, the Dutch construction and dredging company, reported that weaker currencies kept net income disappointingly flat at Fl 2m (\$855,000) for the first half compared with the same period of 1985.
The sharp fall in currencies important for Volker Stevin, such as the dollar, prevented earnings from rising as forecast. Profits for all 1986 now are expected to remain at about the same level as 1985 - Fl 13m.
Turnover based on production slipped 3 per cent to Fl 840m from Fl 875m due to stagnating business in the Netherlands. For the whole of 1986, turnover is expected to fall about 5 per cent because of declining investments in the oil and gas industry, where Volker Stevin engages in dredging and building offshore structures.
Volker Stevin, based in Rotterdam, operates around the world and has run into some payment problems from debt-troubled countries such as Nigeria.
Hollandsche Beton Groep (HBG), the Dutch construction and dredging company, posted unchanged earnings of Fl 22m (\$9.1m) for the first half compared with a year earlier and predicted that full-year profits would also be more or less flat at Fl 57m.
Falling oil prices have sharply curtailed activity and investment in the offshore industry, where HBG is involved in construction, exploration and drilling. Persistent worldwide overcapacity in the dredging industry has eroded profit margins in HBG's dredging operations.

Partek acquisition
PARTEK of Finland has acquired effective control of Rockwool of Sweden. In yesterday's edition, the company's name was wrongly spelt as Rockwell.

Montedison to raise \$532m to finance La Fondiaria deal

BY ALAN FRIEDMAN IN MILAN
MONTEDISON, the Italian chemicals group, is to raise US\$532m to finance its recent purchase of a key share in La Fondiaria, the Florence insurer. The move is seen as part of Montedison's determination to fight off a challenge by Italy's financial establishment.
The rights issue, to be channelled through Meta, Montedison's listed services subsidiary, follows a string of other Montedison rights issues this year designed to raise \$1.7bn.
The rights issue, proceeds of which would fund the 1.74bn (\$532m) purchase of 12.4 per cent of La Fondiaria, comes only days after Mr Mario Schimberni, was attacked by Montedison chairman, Mr Enrico Cuccia, a director of Mediobanca, the Milan merchant bank, which owns 6.3 per cent of Montedison equity.
Mr Cuccia accused the Montedison chief of not informing Mediobanca and others of a Montedison shareholders' syndicate of the La Fondiaria deal.
There was speculation on Milan's stock market yesterday of attempts to destabilise Mr Schimberni's management at Montedison. Mr Cuccia, who represents the traditional old guard of Italian corporate power, was unavailable for comment.
The Italian financial establishment, including Mr Gianni Agnelli, Fiat chairman, was last year furious

ous with Mr Schimberni for having taken over the BI-Invest property and financial group against its wishes. Mediobanca, part of the old establishment, fears Mr Schimberni's plan to use La Fondiaria as part of a new financial services subsidiary could rock the equilibrium of Italian capitalism.
By acquiring a 12.4 per cent stake in La Fondiaria, Montedison has taken control of the Florence insurer with a 37.3 per cent stake and obtained control of a small but key stake in Mediobanca itself.
Mr Schimberni's fund-raising announcement and Montedison's release yesterday of a document justifying the La Fondiaria deal as part of the group's strategy of building its presence in the insurance sector and other financial services has been seen in Italy as a defiant response by the Montedison chief to future attack.
Mr Cuccia's attack, in turn, is seen in Italian financial circles as part of a vendetta against Mr Schimberni, who has broken with the traditional style of Italian capitalism.
With tension rising on the Milan bourse over the Cuccia-Schimberni battle, the Montedison chairman has convened a meeting of the shareholders' control syndicate, which comprises the group's top 10 shareholders, for Friday.

Brush-off for Bowater

BY ROBERT GIBBENS IN MONTREAL
BOWATER, the biggest US newspaper producer, has received the brush-off from the family trust which holds almost 78 per cent of R. L. Crain, an Ottawa-based business-forms manufacturer.
Bowater had offered C\$45 a share for all the Crain shares, worth a total of about C\$78m (US\$56.5m) if

the Crain family trust tendered its majority holding.
However, the trust has refused to sell, without giving any public explanation.
In the year ended 1985 Crain had earnings of C\$4.1m or C\$2.37 a share on sales of C\$1.07m.

Compaq clone puts pressure on IBM

By David Thomas in London
COMPAQ COMPUTER of the US has become the first large manufacturer of IBM-compatible business personal computers to introduce a new generation of machines using Intel's new 386 microprocessor.
This puts pressure on IBM at the top end of the IBM-compatible or clone market just as the price war is intensifying at the low-cost end of the market.
Compaq's two new models will be able to run existing software about two to three times faster than existing personal computers. They offer the computing power available now only on minicomputers, the next stage up from personal computers.
IBM itself does not yet have a machine using the 386 microprocessor, despite its large minority holding in the chip producer.
Compaq's move is an unusual example of an IBM-compatible manufacturer introducing important innovations ahead of IBM.
Compaq believes that 386-based machines might take 10 per cent of the entire personal computer market, valued at \$34bn, within a year.
It is designed for users needing high speed applications such as large databases and spreadsheets.
The company is offering two models: Deskpro 386 Model 48, with a 40-megabyte hard disc, and Deskpro 386 Model 120, with a 120-megabyte hard disc.
The company is not yet offering software specifically designed for the 386 microprocessor, the US software company, will be available in the first half of next year.

Texas bank expects \$40m loss

BY WILLIAM HALL IN NEW YORK

ALLIED Bancshares until now regarded as one of the major Texas banks least affected by the sharp fall in the US oil price, yesterday announced it expected to report a \$40m third-quarter loss and warned that it might have to cut its dividend.
The Houston-based group, which ranks as the fifth biggest banking organisation in Texas, posted a \$110m provision in its third quarter as a result of the current evaluation of its portfolio.

Allied said the sharply increased provision and the write-down of foreclosed property reflected a "pervasive deterioration in the Texas economy, beginning with the energy sector's enormous drop in cash flows as a result of declining prices and now spreading throughout real estate and general commercial activities."
The higher loan-loss provision will be used to cover estimated net charge-offs of \$82m in the third quarter and to build up the loan-

loss allowance.
About 35 per cent of the charge-offs in the current quarter are related to energy and 25 per cent are related to property with the remainder coming from general and individual credits. The allowance for possible loan losses will be increased by about a quarter to \$140m and the ratio of the allowance to total loans will be about 2 per cent.
Allied said that, after the latest provisions, it expected its non-forming loans to total about \$400m

or 5.7 per cent of total assets. The action will cut the book value of Allied's shares from \$19.25 at the end of June to about \$15.
Mr Jay Cramer, Allied's chief financial officer, said yesterday that the group had taken steps to protect its funding when oil prices collapsed at the beginning of the year and it was currently "quite stable, albeit expensive." Unlike some Texas banks, Allied is not a big borrower in the international money markets.

Andersen loses appeal over Drysdale

BY ANATOLE KALETSKY IN NEW YORK

ARTHUR ANDERSEN, a leading international accounting firm, has lost its appeal against a \$17m judgment arising from its auditing of Drysdale Securities, the US government securities dealer which collapsed with more than \$180m of losses in 1982.
The judgment, delivered on Monday by the US Appeals court, upheld the damages awarded to Manufacturers Hanover Trust by a New York jury last year in a civil suit which claimed that Andersen had acted fraudulently and negligently

in certifying Drysdale's financial statements.
In a separate accountancy dispute settled yesterday, Grant Thornton, another leading accountant, agreed to pay \$2.5m to American Savings and Loan Association of Florida in connection with the collapse last year of ESM Government Securities.
The cases highlight the growing risks of legal liability which are faced by US auditors of failing companies. The judgment in favour of Manufacturers Hanover Trust

comes on top of an out of court settlement believed to have been worth around \$50m which Andersen reached two years ago with Chase Manhattan, another of Drysdale's bankers.
Although the Court of Appeals ruling on Monday set no new precedents, it stated that Andersen's certifications of Drysdale financial statements portrayed "a highly capitalised company on whose promises" the banks could rely and thereby "may reasonably have been found to have induced" Manufacturers Hanover to enter into financial

arrangements with Drysdale.
Arthur Andersen has not decided whether to appeal against the judgment in the Supreme Court but said yesterday it still believed the merits of its appeal were well founded and has reviewing the court's opinion to "determine what options are available." In June this year the Supreme Court ruled that Mr Warren Eissner, a former Andersen partner, would have to stand trial on a civil charge brought against him by the Securities and Exchange Commission in connection with the Drysdale failure.

Simon buys Hawaiian thrift group for \$40m

BY ANATOLE KALETSKY IN NEW YORK

MR WILLIAM SIMON, the New York financier and former US Treasury Secretary who has acquired a reputation for masterminding highly profitable leveraged takeovers, has bought Hawaii's largest thrift institution, Honolulu Federal Savings and Loan.
In making the acquisition, he has embarked on a plan to build a network of banking institutions from California to the Orient.
Although the initial investment in Honolulu Federal is small at \$40m, his plans command respect on Wall Street, particularly as he

has installed a management team headed by Mr Preston Martin, former vice chairman of the Federal Reserve Board, to manage his venture into trans-Pacific finance.
The new financial holding company which Mr Martin will head and which has bought Honolulu Federal is to be called H. F. Holdings and will be based in San Francisco. Apart from Mr Simon and Mr Martin, the other partners in H. F. Holdings are Mr Gerald Parsky, a former assistant Treasury Secretary in the Nixon Administration under Mr Simon, Mr Roy Doumaul,

chairman of World Trade Bancorp, and Mr Larry Thrall, a real estate developer.
Mr Parsky said that H. F. Holdings is looking at a number of other financial acquisitions and has already submitted bids for two insolvent California thrifts, Southern Savings and Loan in Los Angeles and Bell Savings and Loan in San Mateo, which have been temporarily taken over by the Federal Savings and Loan Insurance Corporation.
Among Mr Simon's successful ventures in the past has been the

purchase of Gibsoo Greetings from RCA for \$80m in 1982 and the acquisition this year of the Avis car rental business from Beatrice Companies.
Both these deals were done through Westray, a private investment company controlled by Mr Simon and his partner Mr Raymond Chambers. However, there have been reports recently that Mr Simon's relations with Mr Chambers have deteriorated and his investment in Honolulu Federal Savings is not being channelled through Westray.



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September, 1986

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INTL. COMPANIES & FINANCE

Bertelsmann to buy full control of RCA music for \$300m

BY ANDREW FISHER IN FRANKFURT

BERTELSMANN, the expanding West German media group, is set to take full control of one of the world's largest record companies in a deal worth about DM 600m (\$300m) to buy the majority shares in RCA's music businesses.

The investment, expected to take effect by the end of the year, is in line with the ambitious investment plans announced by the German company in March. Up to 1988, it aims to spend about DM 2.5bn with almost a third earmarked for new activities and for key markets like the US.

Bertelsmann already owns 25 per cent of the shares in the RCA music businesses. It said yesterday it had agreed with General Electric of the US, RCA's parent, to acquire the remainder. This move will increase the turnover of Bertelsmann's music interests from DM 530m to about DM 2bn.

As well as the record company of RCA, Bertelsmann will obtain the US company's record club, with more than 2m members, and a music video production concern. The RCA record label will stay in being.

Bertelsmann, which said in July

that turnover for its first nine months to March, 1986, rose 2.4 per cent to DM 5.8bn, began its association with RCA in 1983. The US company then bought a half share in Arista, Bertelsmann's US record company.

Slightly more than a year ago, RCA placed all its music activities in a joint venture with Bertelsmann under the name of RCA/Ariola International. RCA held 75 per cent of the shares (49 per cent in German-speaking markets) and Bertelsmann the remainder.

RCA/Ariola is represented in 18 countries with record companies, music publishers, and music video businesses. After CBS and Warner, it is the third largest company in the industry.

Mr Mark Woessner, chief executive of Bertelsmann, said that the deal - still subject to approval by the supervisory board and by the Federal Cartel Office - meant the achievement of a "long-term strategic goal." The position of the company in the toughly competitive music market would be considerably strengthened.

Elf to raise FFr 10bn in stages

By Our Paris Staff

A LIKELY recourse to the international capital markets by Elf Aquitaine, the French state-controlled oil group, to raise funds for future expansion will be made gradually rather than through a single operation, the company made clear yesterday.

The company was given authorization by shareholders last week to raise up to FFr 10bn (\$1.47bn) by issuing a variety of equity-related financial instruments giving rights for subscribers to acquire Elf shares. The range of possible instruments includes convertible bonds as well as securities involving warrants. Elf said no decision had yet been made on the most appropriate means.

Erap, the state holding company which owns 67 per cent of Elf, has, together with other existing shareholders, agreed to forego during one year its preferential subscription rights to acquire the securities.

Erap has already disclosed plans to reduce its stake in Elf to about 51 per cent partly through sales of some of its existing stake on the bourse. The eventual reduction in the Erap stake would be achieved through a combination of outright share sales and an injection of outside capital to be achieved through the securities issues. The exact proportion has yet to be decided.

Elf is also keeping open the possibility of launching certificates d'investissement (non-voting shares) in line with issues of this type already made by other state-owned French banking and industrial groups. The capital-raising authorization gives it the possibility of issuing CIs, up to a total of one quarter of its paid in capital - the same limit as for other state-owned groups.

A forthcoming launch of CIs by Elf was rumoured during the summer but the company said yesterday it had not yet envisaged such an issue as a serious possibility.

Elf is considering seeking a listing on Wall Street as part of efforts to widen the international spread of its shareholders. Its American subsidiary, Elf Aquitaine Inc, is not, however, - contrary to a report in the Financial Times on Monday - listed in New York.

Oerlikon-Bührle again downgrades forecast

BY JOHN WICKS IN ZURICH

OERLIKON-BÜHRLE, the Swiss industrial concern, has again downgraded its sales forecast for the current year.

Oerlikon-Bührle Holding, the Zurich parent company, said there would "hardly be an increase" over the 1985 group turnover figure of SFr 4,860m (\$2.9bn).

Dr Dietrich Bührle, chairman, said in May that expectations for

1986 sales growth had fallen from 10 per cent to less than 5 per cent in the light of exchange rate developments.

The unfavourable currency situation was again given as the main reason for the anticipated stagnation in consolidated turnover, confirming the May forecast that there would be no improvement in group earnings this year.

Jacobs lifts first-half earnings

BY OUR FINANCIAL STAFF

JACOBS SUCHARD, the Swiss chocolate and coffee group, reports a good rise in profits for the first half of 1986 and says earnings for the full year will show a satisfactory increase.

In spite of a decline of 8 per cent

in sales because of currency swings and rapid movements in raw material prices, profits for the half year are said by the company to be well above those for the comparable period of 1985.

Jacobs said chocolate sales fell

All of these securities having been sold, this announcement appears as a matter of record only.

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1,100,000 Shares



The Standard Commercial Tobacco Company, Incorporated

Common Stock

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| Bear, Stearns & Co. Inc. | The First Boston Corporation |
| Dillon, Read & Co. Inc. | Donaldson, Lufkin & Jenrette |
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| E. F. Hutton & Company Inc. | Kidder, Peabody & Co. |
| Merrill Lynch Capital Markets | Montgomery Securities |
| PaineWebber | Prudential-Bache |
| L. F. Rothschild, Unterberg, Towbin, Inc. | Robertson, Colman & Stephens |
| Shearson Lehman Brothers Inc. | Smith Barney, Harris Upham & Co. |
| Dean Witter Reynolds Inc. | Carolina Securities Corporation |
| | Moseley Securities Corporation |
| | Alex. Brown & Sons |
| | Drexel Burnham Lambert |
| | Hambrecht & Quist |
| | Lazard Frères & Co. |
| | Morgan Stanley & Co. |
| | Salomon Brothers Inc |
| | Wertheim & Co., Inc. |

August 21, 1986

£100,000,000



Floating Rate Notes Due 1995

Interest Rate	10.0375% p.a.
Interest Period	5th September 1986 5th December 1986
Interest Amount per £10,000 Note due 5th December 1985	£250.25

Credit Suisse First Boston Limited Agent Bank

Series 042

U.S.\$42,000,000

Short-term Guaranteed Notes issued in Series under a U.S.\$280,000,000 Note Purchase Facility by Mount Isa Mines (Coal Finance) Limited

Notice is hereby given that the above Series of Notes issued under a Production Loan and Credit Agreement dated 30th March, 1983, carry an Interest Rate of 6 1/8% per annum. The Issue Date of the above Series of Notes is 11th September, 1986, and the Maturity Date will be 11th March, 1987. The Euro-clear reference number for this Series is 29694 and the CEDEL reference number is 924029.

Manufacturers Hanover Limited Issue Agent

10th September, 1986

This announcement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an offer of, or invitation to the public to subscribe for or purchase, any securities.

Trizec Corporation Ltd.

(Incorporated under the laws of Canada)

Can. \$75,000,000
10% Senior Debentures due October 1, 1996
Issue Price 101 7/8%

The following have agreed to Subscribe or procure Subscribers for the Senior Debentures:

- | | | |
|--------------------------------|--|---------------------------------------|
| CIBC Limited | Banque Nationale de Paris | Berliner Handels-und Frankfurter Bank |
| Commerzbank Aktiengesellschaft | Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft | Dominion Securities Pitfield Limited |
| Nomura International | Société Générale | Goldman Sachs International Corp |
| | | Orion Royal Bank Limited |
| | | The Royal Trust Company of Canada |

Application has been made to the Council of The Stock Exchange for the Bonds to be admitted to the Official list.

Listing particulars relating to the Bonds are available in the Extel Statistical Service and may be obtained during usual business hours up to and including September 11, 1986 from the Company Announcements Office of The Stock Exchange and up to and including September 24, 1986 from:-

Canadian Imperial Bank of Commerce
55 Bishopsgate
London EC2N 3NN

Cazenove & Co
12 Tokenhouse Yard
London EC2R 7AN

Grenfell & Colegrave
55 Moorgate
London EC2R 6DR

September 10, 1986

Rowntree Mackintosh plc

has acquired

Sunmark, Inc.

We acted as a financial advisor to Rowntree Mackintosh plc in this transaction and assisted in the negotiations.

Merrill Lynch Capital Markets

September 1986

Hawley Group Limited

has acquired

Pritchard Services Group PLC

We acted as a financial advisor to Hawley Group Limited in this transaction and as a principal underwriter of the cash alternative offer.

Merrill Lynch Capital Markets

July 1986

Hawker Siddeley Group PLC

through its subsidiary

Crompton Parkinson Limited

has acquired

Daytronic Corporation

We acted on behalf of Hawker Siddeley Group PLC in this transaction

Merrill Lynch Capital Markets

August 1986

Herman's Sporting Goods, Inc.

has been acquired by

The Dee Corporation PLC

We acted as financial advisor to Herman's Sporting Goods Inc. in this transaction and assisted in the negotiations.

Merrill Lynch Capital Markets

April 1986

Gulf Canada Corporation

has acquired a controlling interest in

Hiram Walker Resources Ltd.

We acted as a financial advisor to Gulf Canada Corporation in this transaction

Merrill Lynch Capital Markets

August 1986

Lawson Mardon Group Limited

has sold

Aston & Full Limited

to

Seda Pacprint (UK) Limited

(a subsidiary of Finseda SpA)

We acted as financial advisor to Lawson Mardon Group in this transaction and assisted in the negotiations

Merrill Lynch Capital Markets

July 1986



INTERNATIONAL COMPANIES and FINANCE

Composition Systems, Inc.

has been acquired by

Crosfield Data Systems Inc.

(a member of The De La Rue Group of Companies)

We acted as financial advisor to
Composition Systems, Inc.

PaineWebber
Incorporated

July 31, 1986

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Share Capital
Authorised \$1,000,000
Issued and fully paid £703,574

Ordinary Shares of 5p each

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Application has been made to the Council of The Stock Exchange for the admission of the whole of the issued share capital of Alphameric plc formerly dealt in on the Unlisted Securities Market to the Official List. Details relating to Alphameric plc and the above shares are available in the statistical services of Exel Statistical Services Limited. Copies of the listing particulars may be obtained during usual business hours on any weekday (Saturdays and public holidays excepted) up to and including 24 September 1986 from:

Alphameric plc The Old Brew House 130 High Street Old Woking Surrey	Phillips & Drew 120 Moorgate London EC2	Company Announcements Office The Stock Exchange Throgmorton Street London EC2 (Up to 12 Sept. only)
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10 September 1986

Heinz on track for another record year

By Our Financial Staff

H.J. HEINZ, the US convenience food manufacturer is on track for another record year. Net earnings for the first quarter of fiscal 1986-87 have increased 5 per cent, from \$81.6m to \$85.7m, or from 59 cents to 62 cents a share. Revenues for the period improved by 3.4 per cent to \$1.08m from \$1.05m for the same period of 1985. The directors said they expected gains to accelerate towards the end of the fiscal year. They added that foreign currency gains helped boost first-quarter income.

Marui shows 23% increase in earnings

By Yoko Shibata in Tokyo

MARUI, Japan's largest credit sales department store lifted pre-tax profits 23 per cent to ¥17.9bn (\$114.7m) in the half year to July. Net profits rose by 28 per cent to ¥8.3bn, on interim turnover of ¥183.45bn, up 15 per cent from the previous year.

Mr Tadao Aoi, president, attributed the strong performance to the remodeling of 11 stores and the opening of two stores as well as popularity of designers and character brand goods. Service sectors showed a good performance—this area centres mainly on consumer loans. The balance of these loans

Full year turnover is expected to increase by 9.1 per cent to ¥390bn and pre-tax profits, up by 14 per cent to ¥24bn. Pre-tax profits and sales are expected to exceed initial projections by ¥2bn and ¥5bn respectively. The company plans an annual dividend of ¥16 per share.

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For the three months 10th September, 1986 to 10th December, 1986 the Notes will bear an interest rate of 6 3/4% per annum and the coupon amount per US\$10,000 will be US\$157.50.

IC Industries takes pre-tax charge for railroad shake-up

BY WILLIAM HALL IN NEW YORK

IC INDUSTRIES, the Chicago conglomerate, is to take a \$20m pre-tax charge mainly to cover costs associated with the restructuring and eventual disposal of the Illinois Central Gulf (ICG) railroad, which lies at the heart of its operations. Some \$410m of the special charge is associated with the ICG railroad and another \$110m for the group's PneuMo Abex operations. The special pre-tax charge exceeds the anticipated record operating income the company expected to report for 1986 and will result in a consolidated net loss for the year. In the first six months of 1986 IC

Industries operating income rose by \$6m to \$104m. The group's shares fell by 1/2 to \$27 yesterday. Mr William R. Johnson, chief executive, said the company was well ahead of schedule in its plans to reduce the railroad, restructure PneuMo Abex and move into consumer, aerospace and defence business. In the past 13 months the ICG railroad has sold, or has contracted to sell, eight major line segments totalling 2,900 miles for nearly \$400m, leaving a 3,900-mile core system. It was now prudent to reduce ICG's fixed costs to an efficient level for the profitable operation of a

3,000-mile railroad. With these actions the company has cleared the decks for future growth and the "eventual disposition" of the ICG railroad, Mr Johnson said. The special charges will cut the railroad's net worth from \$500m to \$285m and increase its debt to capitalisation ratio from 33 per cent to 36 per cent. IC Industries group debt to capitalisation ratio will rise from 45 per cent to 47 per cent. Since it acquired Pet in 1978 the company has divested 76 businesses and has reinvested the proceeds in 67 acquisitions with assets of \$21m.

UIC agrees to buy stake in mining concern

By Steven Butler in Singapore

UNITED INDUSTRIAL CORPORATION (UIC), the Singapore, chemical, property and investment concern, has agreed to buy a 44.12m (US\$3.5m), 10 per cent interest in Pelbart Resources of Australia, which has extensive gold and diamond mining tracts in Indonesia.

UIC has agreed to purchase 12.8m shares at A\$0.48. It has an option to purchase a further 10m shares at A\$1 within two years, which would take its stake in Pelbart up to 13 per cent.

The investment will be UIC's first venture in the mining industry. Pelbart said UIC was selected as a partner to supply a needed capital injection because of UIC's extensive involvement in Indonesia. Pelbart also plans to have mining dredges assembled in Singapore and floated by large to the mining sites.

Exploration tracts

Pelbart has been granted four exploration tracts under contract from the Indonesian government, five granted in principle, and three under application, for a total of 60,000 square kilometres.

Pelbart recently shed interests in oil to other companies of the Perry Corporation Group, of which it is a part, in order to concentrate on gold, platinum, and diamond exploration in Indonesia.

The Kasongan alluvial gold deposits in Central Kalimantan, operated jointly with Jason Kasongan, are expected to commence mining in early 1987. Mr Mike Novotny, Pelbart director, said that gold recovery costs at the site were estimated at US\$62 per ounce, that a single dredge would be able to recover 40,000 ounces per year, for an annual operating profit of US\$70m per dredge.

Glowing prospects

Pelbart also spoke glowingly of mining prospects for epithermal gold deposits enclosing the Mt Maro area of Kalimantan, where the company has a 20 per cent interest in three tracts. Duval Corporation in Indonesia, a subsidiary of Perseft, has a 60 per cent interest in the sites and is operator and sole financial contributor in the feasibility study stage.

Pelbart has other mining joint ventures in Indonesia with BP and Ransburg Goldfields, as well as Indonesian partners who have a 15 per cent stake.

Woodside boosts midway profit

BY ROBERT KENNEDY IN SYDNEY

WOODSIDE PETROLEUM, which has Shell and BHP as major shareholders, yesterday announced an improved profit of A\$2.97m (US\$1.82m) in the first half of 1986, against A\$2.00m a year ago. The company also took the opportunity to dismiss the latest A\$175m takeover offer from National Mutual Life, for its Cooper Basin subsidiary, Vangas. Vangas is 50.6 per cent owned by Woodside, which in turn is 80 per cent controlled by BHP and Shell. NML announced on Monday that it was increasing its offer for Vangas from A\$2.25 to A\$2.59 a share. The offer is con-

ditional on 90 per cent acceptance. NML already has 12 per cent of Vangas. Woodside said it felt the NML offer for Vangas was "entirely inadequate." Referring to its interim result, Woodside said the improvement was achieved despite a loss of A\$1.1m from its 50 per cent share of the domestic gas phase of the North West Shelf project, included for the first time. However, the directors warned that the midway profit reflected selling prices in the first quarter which were significantly higher than prices now being obtained. "The group cannot be con-

dent of the same results in the current half unless there is a dramatic and sustained recovery in oil prices during the remaining months of the year," the company said. Woodside said the fall in oil prices continued to cause concern among the group's creditors, adding that the borrowing structure of the group was unchanged from that reported at an annual meeting in April. Shareholders were told in April that the fall in prices had been of a magnitude greater than any predicted when its US\$1.65bn loan facility to help fund the North West Shelf development was negotiated.

Streamlined Sunshine ahead

BY OUR SYDNEY CORRESPONDENT

SUNSHINE AUSTRALIA has emerged from a major restructuring with a \$50 per cent profit increase to A\$18.6m (US\$11.4m) for the year ended June, 1986. The result indicates that the company has continued in the vein apparent at the end of the first half when profit rose from A\$8,000 to A\$4.72m. A dividend of 12 cents a share is planned. Mr Lee Ming Tee, the man-

aging director, attributed the group's impressive performance partly to dividend income from major investments: Wornald International which invested 37 per cent; Sunshine Pacific, 42 per cent; and Enakon, 20 per cent. "All elements of the group's thrust to become an international investment vehicle are

now in place and are beginning to produce substantial returns to shareholders," he said. "Wornald is central to our international expansion in terms of its forthcoming listing in London and New York and because of the opportunities it provides from cross-development with other of the group companies."

Japanese steel groups may pass dividends

MAJOR Japanese steel companies, suffering grievously from the year's slump appreciation, are considering skipping interim dividends for the six months ended June 1986. "We can't escape a large loss in the first half," said Nippon Steel Corp, Japan's largest steel producer. "We are studying various possibilities, including the possibility of no dividend."

The year's upswing since September last year has been hitting steel makers hard, both in overseas markets and in the home front. It has eroded international competitiveness of their products by raising prices in other countries. It has also sent domestic demand plunging as major steel users like car, plant and electric product makers, also reeling in the face of the crippling impact of the strong yen, have curbed both production and investment. Sumitomo Metal Industries said, "the effects of the yen's appreciation are stronger, at least for us, in the domestic market than in overseas markets." Steel producers suffered severe setbacks last year. Sumitomo, for instance, reported a 25.3 per cent net earnings drop in the year, while Nippon Steel's net went down 12 per cent.

For the first half of fiscal 1986, the major steel companies paid ¥2.5 in interim dividends, keeping their full-year payment unchanged at ¥3. Steel company officials are reluctant to discuss the first-half earnings performance in detail, but losses this year are widely expected to be substantial. AP-DJ

The securities having been sold, this notice appears as a matter of record only.

Can. \$81,250,000

The International Pagurian Corporation Limited

25,000,000 Common Shares

The placement of these shares was arranged privately by the undersigned.

Merrill Lynch
Capital Markets

Loewen, Ondaatje,
McCutcheon & Company S.A.

Union Bank of Switzerland
(Securities) Limited

August, 1986

MULTIBANCO COMERMEX, S.A.
U.S.\$40,000,000
Floating Rate Subordinated Notes due 1992
In accordance with the provisions of the Notes and the Agent Bank Agreement between Multibanco Comermex, S.A. and Citibank, N.A., dated March 2, 1982, notice is hereby given that the Rate of Interest has been fixed at 6 3/4% p.a. and that the interest payable on the relevant Interest Payment Date, March 10, 1987 against Coupon No. 10 will be U.S.\$158.69.
September 10, 1986
By: Citibank, N.A. (CSSI Dept.), Agent Bank **CITIBANK**

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Due 30th November 1987
Callable at the issuer's option
on the 28th November 1986
Mitsubishi Trust & Banking Corporation, London
In accordance with the terms set out in the Certificates Mitsubishi Trust and Banking Corporation have elected to exercise their call option. The Certificates will therefore mature on the 28th November 1986 and payment will be effected on the principal amount plus interest at 7 1/2% pa at Mitsubishi Trust and Banking Corporation, 33 Lombard Street, London, EC3.
Merrill Lynch International Bank Limited
Agent Bank.

LIBRA BANK PLC
(Incorporated in England under the Companies Acts 1948 to 1985)
US \$25,000,000
Floating Rate Certificates of Deposit
Due May 1991
Lead Managed by
Continental Illinois National Bank
and Trust Company of Chicago
Co-managed by
FennoScandia Limited
PK Christiania Bank (UK) Limited
Österreichische Volksbanken-Aktiengesellschaft
Arranged by
Continental Illinois
Capital Markets Group
May 1986

National Westminster Bank PLC
(Incorporated in England with limited liability)
U.S.\$150,000,000
7 1/4 PER CENT DEPOSIT NOTES 1991
National Westminster Bank PLC hereby gives notice that completion of the distribution of the Notes took place on 12th August, 1986 and that accordingly 10th November, 1986 has been determined as the Exchange Date.
Persons entitled to delivery of any of the Notes are accordingly advised to obtain from the specified office of any of the Paying Agents, the office of Cedel S.A. in Luxembourg or the office of Morgan Guaranty Trust Company of New York as operator of the Euro-clear System ("Euro-clear") in Brussels, the form of the certificate to be completed stating that no beneficial owner of any interest in such Notes is a U.S. person (as defined in the Offering Circular dated 20th May, 1986). Completed certificates should be delivered to the office of Cedel S.A. in Luxembourg, or to the office of Euro-clear in Brussels within the 15 days prior to, on or after the Exchange Date.
August 1986

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Few deals launched amid worries on interest rates

BY CLARE PEARSON

THE EUROBOND market traded chiefly yesterday amid worries about the outlook for international interest rates...

The equity warrants market has become over-supplied with five-year equity warrants deals for Japanese borrowers...

Yamaha International (Europe) meanwhile issued a five-year £14.5bn deal for Ford Motor Credit...

Onion Royal Bank issued a \$300m five-year bond for Landestbank Rheinland-Pfalz. Its coupon is set at 8 1/2 per cent...

prices displayed a weaker tendency. Dealers fear that yields on bonds, which have been falling for some time, may have reached their lows.

Credit Suisse issued a \$750m nine-year issue for the French Caisse Nationale des Telecommunications (CNT). Its coupon was fixed at 4 1/2 per cent...

AFI calls for less restrictive legislation

By Our Euromarkets Correspondent

THE ASSOCIATION for Futures Investment (AFI), a lobbying body for futures and options investment industry, yesterday voiced concern that current UK regulation, legislation and taxation provisions for the industry contain continuing anomalies...

On taxation, the association said that the Inland Revenue was failing to distinguish properly between investment and trading in futures and options...

Peter Montagnon on the fall from favour of the EEC currency Ecu struggles to regain momentum

THE EUROPEAN currency unit (Ecu), the composite currency of the EEC, appears to have lost its lustre.

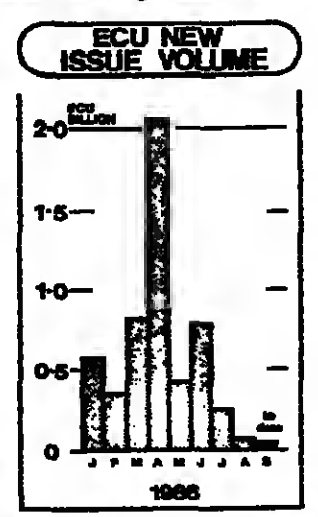
After a spurt in new issue activity during the spring which saw new issue volume top Ecu 2bn in April, the Ecu sector of the international bond market is in the doldrums.

Now, however, things look different. Worse still, bankers who follow the Ecu market detect a hint of something fundamental in the present slump...

Ecu market is suffering from a complaint with which investment bankers are generally all too familiar. It is still labouring under the weight of excessive new issuing earlier in the year...

Though an Ecu 75m, 7 per cent four-year issue for Merrill Lynch launched at the end of last month met a reasonably good reception due to its short maturity, Ecu lead manager Kredietbank admitted that a more recent Ecu 50m issue for Finance for Danish industry was slow to move...

One problem, they say, is that Ecu rates have fallen too far to lend the unit appeal in comparison with the D-mark. At the same time the Ecu has been dragged down in exchange markets because of its sterling content...



Instead of buying Ecu bonds. Bankers in Luxembourg say their Belgian clients are interested in high coupon currencies.

Curiously enough, the slowdown in the Ecu bond market was preceded by a similar fall in activity in the broader bank lending market.

sooner or later Belgian buyers will return to their bond market. But the condition would have to be a much wider spread than presently exists between Ecu yields and those on D-mark issues...

A main factor behind this development was a fall in demand for Ecu loans by Italian borrowers, who were the mainstay of the market in its early days.

Credit Suisse sees record

By John Wicks in Zurich

CREDIT SUISSE, one of the Big Three Swiss banks expects record earnings for the current year. The Zurich-based bank booked a 22 per cent increase in net profits to SwFr 507m in 1985.

Lorimar-Telepictures buys MGM facilities from TBS

BY OUR FINANCIAL STAFF

LORIMAR-TELEPICTURES, the rapidly growing California-based film production and distribution group, has reached a definitive agreement to buy the former MGM Entertainment facilities and laboratories from Mr Ted Turner's Turner Broadcasting System (TBS).

Osaka plans stock futures for next spring

THE OSAKA Stock Exchange, which will start the first Japanese stock futures trading after April 1 next year, given up the plan to open the market late this year or early next year, Kyodo reports from Osaka.

The exchange will make a formal decision at the end of the month of the market next Tuesday.

Tokyo licence for Societe Generale

By David Houston in Paris

SOCIETE GENERALE has become the first French bank to be given permission by the Japanese authorities to open a securities house in Tokyo.

Zug group to convert bearer shares

By Our Zurich Correspondent

RETAILWAREN-HOLDING, Zug, is voluntarily converting its bearer shares to registered shares in order to guarantee its long-term independence and Swiss character.

FRN with Ecu backing for Italy

BY OUR EUROMARKETS CORRESPONDENT

BANQUE PARIBAS has launched \$200m of floating-rate notes secured against fixed-rate Ecu bonds issued by the Republic of Italy in its domestic market.

The deal, which matures in April 1993, carries interest at the mean of the bid and offered rate for three-month Eurodollars in London (Libor) and an issue price of par. The issuer is Republic of Italy Euro-Packaged Assets Limited, a trust company which will hold the Ecu bonds as collateral.

Paribas said yesterday it has christened the new instrument Pararis, which stands for floating-rate Euro-dollar repackaged assets of the Republic of Italy, and though the acronym is not quite synonymous with sparty Italian cars, the deal lived up to their reputation for speed.

The French bank said it acquired the Ecu bonds a trust company which has been holding them since then in the expectation of a fall in rates.

They comprise an Ecu100m holding of 8 1/2 per cent bonds due April 1993 and a smaller holding of 8 1/2 per cent bonds due February 1993.

The swap was possible because at the time of launch, Ecu bonds on the Italian domestic market were trading at a premium to Euro-issues due to their lack of liquidity.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. Closing prices on September 9

Table with columns for Bond Name, Issuer, Maturity, Coupon, and Price. Includes sections for US DOLLAR, SWISS FRANC, and YEN STRAIGHTS.

Advertisement for U.S. \$250,000,000 The Kingdom of Denmark Zero Coupon Notes Due 1998. Includes logos for Prudential-Bache, Societe Generale, and various international banks.

UK COMPANY NEWS

All-round growth lifts Booker 21%

CONTINUING GROWTH in all its three main activities enabled Booker, the agribusiness, health products and food distribution group, to lift pre-tax profits by 21 per cent from £17.44m to £21.38m in the first half of 1986.

Turnover rose 6 per cent from £530.1m to £563.8m. In the US sales were £11m lower at £38.2m following the disposal of American Health and the decline in the value of the dollar but profits increased by 38 per cent to £10.7m. UK sales increased to £523.5m (£481.1m) and profits to £9.1m (£8.1m).

Earnings per 25p share increased by 14 per cent from 8.97p to 10.23p and the interim dividend is raised to 4.75p (4.25p) net—shareholders will be offered the option of receiving additional shares instead of a cash dividend. Last year's total payment was 12p on £46.54m taxable profits.

Mr Jonathan Taylor, chief executive, said yesterday that Booker's three main activities continued to make good progress, and the outlook for the full year was encouraging.

As a result of recent acquisitions and disposals, group profit is somewhat more evenly spread over the year. For instance, in contrast to food, wholesaling, the profit contribution of the recently acquired seed companies falls almost entirely in the first half.

Mr Taylor said the disposal of the Budget food retail chain now enabled Booker to concentrate on wholesale food distribution. Recent investments continued the group's policy of seeking leading positions in expanding markets.

Booker had realised some £65m from divestments and invested some £85m in new acquisitions. The group thus remained strongly placed to make further acquisitions.

Booker's agribusiness profits rose by 27 per cent to £14m on turnover of £78.2m (£69.8m). In the US, Nicholas Turkey had a very good first half while Arbor Acres continued to in-

crease sales, profit and market share. In the UK, the two seed companies, Charles Sharpe and Hurst, performed particularly well; the integration of their activities will be completed by the end of the year. Results of other UK agribusiness activities were satisfactory and in line with expectations.

Health products profits increased from £1.4m to £2.6m, on reduced sales of £47.8m (£50.9m). Booker Health Foods had a buoyant first half with sales up 18 per cent and stronger margins compared with the same period last year. Profit from Kingswood Chemists increased and, in the US, the 48 per cent owned P. Letner, made excellent progress raising profit by 67 per cent compared with a subdued first half of 1985.

In food distribution, profits advanced by £1.1m to £3.5m on turnover ahead of £122.1m (£98.7m). Cash and carry increased its sales by 10 per cent in a competitive market while delivered catering sales

by Booker Food Services rose by 12 per cent, extending the proportion of sales in this growing and profitable sector.

These gains were offset in part by the disposal of the group's delivered wholesale volume to retail outlets in the northern part of the country. The profit contribution from Budget was very strong in the first half prior to its disposal.

Profits from other activities fell slightly from £3.8m to £2.5m as a result of the timing of dividends received from Hero in Brazil. Plenty continued to perform well despite a difficult trading environment in the oil sector.

First-half interest charges increased from £1.65m to £2.2m. Tax took £7.27m (£5.92m) and after minorities of £0.85m (£1.01m) and an extraordinary charge of £85,000 (£1.66m) attributable profits were up 34 per cent from £2.7m to £3.6m. Dividends, absorbed £2.68m (£2.38m).

The shares closed 5p lower at 35 1/2p yesterday.

Willis Faber surges to £48m

A NEAR 50 per cent rise in pre-tax profits, from £23.8m to £34.8m, was reported yesterday by insurance brokers Willis Faber for the first half of 1986.

The interim dividend is lifted 40 per cent from 2.5p to 3.5p, but Mr David Palmer, the chairman, warned that this partly reflected the policy of reducing disparity between interim and final dividends.

The group's brokerage income rose by 27 per cent, while expenses climbed by only 23 per cent. Both the wholesale and retail broking activities, worldwide, showed strong overall growth in income and profit.

Profits attributable to shareholders amounted to £23.55m, against £15.04m, with earnings per share up by 53 per cent to 17.07p.

Growth in reinsurance business was satisfactory but it was constrained by the shortage of underwriting capacity. This was exacerbated by the escalating costs of professional indemnity insurance and the increase made by the group in its bad debt provisions—a move made in the light of difficult world conditions.

Under the terms of divestment of Lloyd's managing agencies, the group received £2.4m relating to profit commission on the 1985 underwriting account, compared with £1.1m for the previous year.

The group's investment income growth was hit by falling interest rates. However the hedging policy of the group, with selective forward selling of foreign currencies, benefited the profits of the UK broking subsidiaries by around 50m.

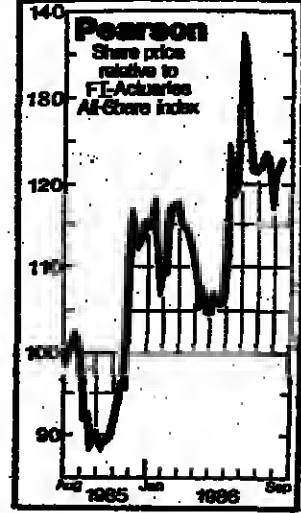
The contribution from the group's holding in Morgan Stanley rose to £11.1m based on the profits forecast in the offer document, compared with £5.7m last year—the figures not being strictly comparable because of a change in the basis of accounting.

The full year's results would make the adjustments lower of foreign currency exchange, while Faber subscribed for an additional four million shares at a cost of £28m.

Mr Palmer warned that the rate of growth in the second half of 1986 was likely to be lower than that achieved in the first half.

Pearson up 6% despite sharp fall on oil side

BY CHARLES BATCHELOR



Pearson, the industrial, banking and publishing group, raised pre-tax profits by 6 per cent in the first six months of 1986 despite a sharp downturn in the performance of its oil and oil services division.

Profits of the group, which own the Financial Times, were £44.1m compared with £41.7m in the first half of 1985. City analysts said this was in line with expectations given the well-publicised problems of the oil industry.

Analysts said they now expected Pearson to make a profit of £120m-£121m in the year as a whole. Pearson's shares closed 2p lower at 53 1/2p.

The figures followed a 10 per cent rise in pre-tax profits in 1985 to £109.5m.

Lord Blakenham, Pearson's chairman, said the profits gain had been achieved despite the weakening of the dollar against sterling which affected the figures adversely since a significant part of the group's profits arise in North America.

In the first half the information and entertainment division, the group's largest, made profits of £20.8m compared with £14m previously, on turnover up from £214.3m to £250.7m.

The three arms of the Lazard merchant banking business, in London, Paris and New York, also produced excellent results from high levels of takeover and new issue business, the group said. Profits rose from £9.5m to £13.7m.

Mr James Joll, finance director, said the main improvement in the information division had come from the Financial Times where circulation was at record levels, advertising income was high and production of the paper was running very smoothly.

The division also benefited from the absence of losses from Goldcrest, its film production associate, which contributed a total loss of £5.5m last year, including £500,000 in the first half.

Elsewhere in the information division, Westminster Press, the provincial newspaper group, continued to recover while the Longman book publishing

operation also did better. Despite the impact of lower oil prices, Pearson's US-based energy services company, nevertheless had an outstanding performance as many comparable US companies made losses during this period, Lord Blakenham said.

The oil division's profit fell from £10.5m to £3.8m on turnover down from £70.5m to £55m.

Profits of the fine china sector remained about the same, at £7m compared with £7.1m previously. This division was not helped by the weakness of the dollar, which depressed US sales, and the smaller number of American tourists. Turnover fell from £72.7m to £68.4m.

The profits of the engineering division fell from £7.3m to £4.7m due partly to the sale of Fairley Engineering, announced in April. Turnover in this sector fell from £89.1m to £77.2m.

Group turnover in the six months totalled £485m compared with £460.5m. The net interest charge fell from £7.3m to £6.5m because of lower interest rates and the contribution of the proceeds of the Fairley sale. Tax totalled £18.2m (£18.3m) leaving net profit after minorities of £24.3m (£20.7m) and earnings per share including £500,000 in the first half.

The interim dividend is 5p (4.25p) net reflecting the group's policy of paying an interim equal to half the dividend of the previous year.

Barclays Bank gets US listing

Barclays Bank announced yesterday that it had become the first British bank to get its shares listed on the New York Stock Exchange and the first British bank to achieve 24-hour trading in its shares.

The New York Stock Exchange announced yesterday that it had approved the listing of Barclays Bank shares under the ticker symbol BCS. The company is listing its shares in the form of 151,858,422 American Depositary Receipts (ADR). Each ADR will represent four ordinary shares.

Barclays, which listed its shares in Tokyo in August, said that the listing will give it greater access to US capital markets. The bank yesterday held a presentation for US institutional investors at New York's Pierre Hotel and will make similar presentations in other US financial centres.

Two more companies—Hillsdown Holdings, the food processor and distributor, and Cement-Headstone Holdings, Ireland's largest industrial group, also announced they are to have their shares traded in the US in ADR form.

Hillsdown, which has been expanding rapidly by acquisition in recent months, said negotiating the establishment of an ADR facility in the US was to make dealings in its shares easier for US investors.

It does not plan to make a public offering of its shares, however, and the ADRs will be traded on the over-the-counter market. The Bank of New York has been appointed depositary agent.

Alfred McAlpine at £7m

BY TERRY POVEY

Alfred McAlpine, the building, civil engineering and minerals group, has announced pre-tax profits ahead of just over £200,000 to £7m on turnover up £38m to £193m for the six months to April 30.

Mr Bobbie McAlpine, chairman and chief executive, said yesterday that the results were not comparable with the earlier period as the company had sold its South African subsidiary in the meantime. Last year South Africa contributed £2.2m to the first half profits but only £6m to turnover, he said.

Continuing losses were therefore ahead from £4.6m to

£7m on turnover up from £149m to £193m. "The rise in turnover reflects the greater level of winter activity," said Mr McAlpine.

After tax McAlpine's profits were £4.62m (£4.25m) and earnings per share were 12.8p (11.7p). Not included in these figures is the £14.8m surplus over book value arising from the £20m cash sale of the South African unit. This is to be taken in the second half as an extraordinary item.

In the UK, the mineral division has been expanded by the acquisition of Concrete Masonry. The company plans to

expand in the US so as to replace the loss of its South African overseas earnings and the £12m Booker Sand and Gravel purchase was made in March.

Mr McAlpine added that: "We are concentrating on looking for a US acquisition, especially in construction and/or mineral distribution. About 40 per cent of our fixed assets are in the US."

The company in a statement has indicated that second half figures will in general be stronger than those in the opening period from now on. The shares closed down 1p at 44 1/2p.

Keep Trust in motor expansion move

Keep Trust, motor dealer, general engineering group, pushed profits up by 21 per cent from £764,000 to £923,000 pre-tax for the first half of 1986 from turnover nearly £5m higher at £38.1m.

The directors also announced an agreed bid for motor distributor, Batchelor Bowles of 310p cash per share — or a loan note alternative — which values the company at £2.7m.

After tax of £323,000, against £265,000, earnings per 25p Keep share were given as 8.6p, compared with 6.4p, a rise of 34.4 per cent, reflecting the benefits from the company buying in just under 15 per cent of its own shares last year.

The directors stated that they were cautiously optimistic about the outcome for the full year and were lifting the interim dividend by 20 per cent

to 1.20p (1.05p)—last year's final was 2.625p from pre-tax profits of £2.18m.

Batchelor Bowles' branch in Leicester is one of the largest General Motors (Vauxhall, Bedford, Opel) distributors in the country, the directors said. For the year ended March 31 1986 group turnover was £22m and profit achieved came to £589,000 pre-tax.

Keep, which already distributes General Motors products in Bristol, Aldershot, Redhill and Dorking—as well as Ford products in Huddersfield and Vauxhall in Dorking—said the acquisition "is this value will considerably enhance Keep's existing motor interests."

The offer is unanimously recommended by Batchelor's directors—undertakings amount to 6.4 per cent of the capital—while holders of a further 60.5 per cent have given similar undertakings.

Ricardo profit expands by 30%

Pre-tax profits of Ricardo Consulting Engineers expanded by 30 per cent from £2.12m to £2.77m for the year ended June 30 1986, after £1.26m against £801,000 at midway. Revenue advanced from £13.76m to £16.87m over the 12 months.

Earnings per share were shown ahead from 9.2p to 11.5p while the dividend is stepped up to 3.25p (2.75p), with a final distribution of 2.25p, the total amount absorbing £468,000 (£396,000).

comment

Willis Faber continues to produce results which fall or are lower than expected. However this year's very good interim figures are better than anticipated. Brokerage income continues to grow strongly thanks to the hardening worldwide and new business growth, though there are capacity problems with reinsurance. The group's currency hedging policy has paid off at this time offsetting the adverse effects of a weakening dollar. The Lloyd's managing agencies continue to ship in with useful profits, while Willis Faber has stepped the net on its insurance company operations. The expectations for the rest of the year are encouraging, but not expected to be dramatic, even though there is more to come from the group's holding in merchant bankers Morgan Grenfell on top of the £11m taken in at the interim stage. Overall the group should lift pre-tax profits for 1986 by a third on last year and earnings per share should reach 28p. The prospective p/e of 13.5 on a share price up 2p to 44 1/2p reflects this growth potential.

Transport sector holds back Laird profit growth

BY PHILIP COGGAN

A SHARP fall in the transport division held pre-tax profits at the Laird Group to £13.4m in the six months to June 30—a rise of just 2.4 per cent.

Group turnover was down sharply from £208m to £165m and an increased tax charge caused by a greater overseas profits contribution caused earnings per share to slip from 11.5p to 10.5p.

The transport division was hit by the lack of train deliveries although the £28m of orders won in 1985 encourages Laird to believe that profits will pick up next year.

The other problem areas were the specialising engineering division which faced reduced demand for mining equipment and the services division, hit by lower margins on US plastics distribution.

The sealing systems division proved to be the star of the

MIM exercises control over Britannia

By Clive Wolman

MIM, the investment management company headed by Mr David Stevens, yesterday consolidated its control over the investment management operations of Britannia Arrow Holdings, the company with which it merged in June.

The formal merger was announced by Britannia Unit Trust Managers with MIM Unit Trust Managers. The combined group will have nearly £1bn under management in 31 unit trusts on sale to the public, making it the eighth largest unit trust group in the UK. The total funds under management, including pension funds, and investment trusts, amount to over £8bn.

Six Britannia unit trusts, covering gold, US smaller companies, US high yielding stocks, Europe, Japan and an exempt trust for pension funds, are to be merged with the six MIM trusts covering the same areas.

During and since the merger of Britannia and MIM, several Britannia fund managers have left and Britannia's assets have been increasingly transferred to former MIM managers, who have generally had much stronger investment records. The chief executive of Britannia Arrow, Mr Michael Newman, was forced to resign last month and Mr Paul Field, head of Britannia Unit Trust Management, has also resigned.

group and its profits increase more than made up for the problems of the other sectors. Demand was particularly strong in Germany and Laird is the leading European manufacturer of automotive sealing systems.

At the end of last year, Laird had a cash balance of £30m and there was much speculation that the group would use the money to acquire a "fifth leg." Instead, around £20m will be spent this year developing the existing businesses, notably the sealing systems division.

The tax charge was £5.1m (£4.3m). Although the company is increasing the interim dividend from 2.4p to 2.9p, that is partly to reduce the disparity between interim and final and it remains cautious about full-year prospects.

The shares closed down 2p at 24 1/2p.

Trade Promotion on bid trail

Trade Promotion Services

Trade Promotion Services Group expects to announce the acquisition of a medium-sized company in the exhibition industry within a few weeks. The group, which yesterday reported 27 per cent higher profits for the year to end-April 1986, said the announcement would be in time for the AGM on October 22.

The taxable result for the period under review was £975,000, up from £787,000.

Trade Promotion said it was considering expansion both within and outside the group.

The deal would be split between cash and Trade Promotion shares.

An increased final dividend of 3.2p is being recommended, making 4.95p (3.9p) for the year.

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Cantors climbs to £9.9m at year-end

Cantors, the Sheffield-based retailer of general home furnishings, carpets and bedding, increased its second half pre-tax profits from £424,000 to £714,000, and profits for the full year to April 26 1986 were substantially higher at £976,000 compared with £328,000.

Group turnover, excluding VAT, rose from £22.2m to £28.2m. The final dividend is unchanged at 1.5p net, but the total is raised from 2p to 2.25p. Stated earnings per 20p share were 12.71p.



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Half year Report 30 June 1986

	Unaudited 6 months ended 30 June	Audited year ended 31 Dec	
	1986	1985	1985
Turnover	8000	8000	8000
Profit before taxation	53,719	49,950	100,109
Profit after taxation	1,505	1,204	2,329
Earnings per ordinary share	4.95p	4.54p	7.72p
Dividend per share	1.8p	1.8p	4.0p

* Record half year trading results
* Pre-tax profits up 25% on first half of 1985
* Group on target to achieve forecast record pre-tax profits of £3,200,000 and earnings per share of 9.35p for the current year

Copies of the half year report are available from the Secretary, LopeX plc, Albion House, 63 St. Martin's Lane, London WC2R 2HS. Telephone 01-430 0281

UK COMPANY NEWS

Panel enters T&N/AE battle

By David Goodhart
THE Takeover Panel has intervened in another end-of-the-year attempt to justify its existence by announcing the engineering group AE for an apparently unjustified criticism of the bidding company Turner & Newall.

Sir John Collyer, chairman of AE, last week raised the question of why T&N "has not commented on trading in the first six months of this year."

T&N complained to the Panel that AE was trying to question the quality of its interim results while knowing that the company was in fact proceeding from making a forecast under Rule 32.1 of the Panel's Code.

That rule states that no announcements "which may increase the value of the offer" may be made after a final offer has been made.

Yesterday the Panel announced that "it is well known to the advisers to both Turner & Newall and AE that any material comment by Turner & Newall on trading in the first six months of their year is now not permitted under Rule 32.1 of the City Code on Take-overs and Mergers."

Last May Turner & Newall said that profit on ordinary activities and earnings for the group for the year ending December 31 1986 would be greater than the previous year. By making its final offer for AE on August 12 it has subsequently been unable to provide any more details.

AE, however, announced that T&N could have elaborated on its bare forecast at any point between the offer being made on June 29 and the final increase on August 12 but chose not to do so.

Hill Samuel, AE's advisers, said yesterday: "Shareholders in Turner and Newall and in AE must draw their own conclusions about Turner & Newall's decision not to do so."

Mr Richard Crick, of Hill Samuel, said that on August 4 he raised the issue of the unacceptability of T&N publishing its interim results in early September as they did last year but had made no attempt to block a forecast prior to a final offer.

The outcome of the bid is still expected to be very close. T&N has just under 48 per cent in purchases of commitments from AE shareholders but AE now says that some of those who committed their shares have now withdrawn. Closing date is Friday.

Exchange rates boost Checkpoint Europe

Favourable exchange rates have boosted taxable profits of Checkpoint Europe, the USK quoted Jersey-based distributor of electronic surveillance devices, from \$116,000 to \$262,000 for the year ended March 31 1986. Sales for the period rose from \$3.2m to \$7.71m and they show a 17 per cent gain for the first quarter of the current year.

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Newman Inds. rises but closure costs lift gearing

BY ALICE RAWSTHORN

Newman Industries, manufacturer of industrial fasteners and electrical motors, yesterday announced a 10 per cent increase in pre-tax profits to £2.35m for the first six months of the year.

The increase was gleamed despite difficult market conditions in almost every area of activity.

Turnover rose marginally to \$44.68m (\$44.62m). Operating profit increased to £3.68m (£3.77m) and the interest charge fell slightly to £1.34m (£1.43m).

Earnings per share rose to 0.3p (0.6p) and the directors propose to pay an interim dividend of 0.5p a share, against 0.3p previously.

Newman closed its loss-making Yate foundry in early June. All the costs of the closure have been allowed for in these interim figures.

Largely as a result of the closure, gearing has increased from around 60 per cent at the year end to between 80 and 90 per cent.

The conditions in which we operate are very difficult, but we have grown accustomed to difficult conditions in the last few years," said Mr Nigel McLean, Newman's chairman.

"It has been a long haul for the company but we believe that the cost cutting and improvements in efficiency made in the 1980s are beginning to pay off."

Avdel, the assembly systems division, fared well in the UK and on mainland Europe in the first half but suffered from a contracting market and intense competition in the US.

The electrical motors division also faced the problem of contracting markets but Newman has managed to buy sales with the introduction of a new range of products.

Although Yate operated at a loss for the first five months of the period, until its closure in early June, the engineering division showed an improvement, largely because of a more flexible production programme and greater efficiency.

The land development programme is now almost completed. The Yate closure should provide further space for development.

Newman's shares have recovered slightly in recent months on the news that Mr David Abell's Suter has been building up a stake.

Suter now holds just over 9 per cent of Newman's equity,

but, according to Mr McLean, has not yet announced its intentions.

comment
Newman has been mooted as a recovery stock for so long that the City has every reason to become more than a little impatient as recovery slips ever further out of sight. The company has demonstrated its ability to grapple with costs and improve efficiency but it is still hampered by stagnant markets. Avdel, which almost single-handedly hauled Newman out of the doldrums in the mid-1980s, has run into problems in the US and analysts anticipate more modest profits growth for the next year or so. In motors the company is poised to unveil its new range of products, but into a distinctly unresponsive marketplace. With the Yate closure it has stemmed the worst of the engineering losses, but the rest of the division is still struggling into profit. The City expects profits of £5m for the full year producing a prospective p/e of 15 on yesterday's share price at 34p. Thus the multiple allows not only for recovery but for bid interest too.

Salvesen sells another housebuilder for £12.6m

BY DAVID GOODHART

Christian Salvesen has sold the second of its five housebuilding subsidiaries to Westbury for £12.6m in cash.

The food distribution and industrial services group announced in July that it was pulling out of housing and hoped to realise \$50m from the sale of the whole division.

The first sale was to C. H. Beazer, also for £12.6m—but although more than £25m has already been realised with three more subsidiaries to sell, some analysts believe Christian Salvesen may struggle to reach the £50m figure.

The Yorkshire and Midlands subsidiaries—the two sold—are larger and more valuable than the others in Lancashire, Chester and Scotland.

Westbury is paying for the Midlands operation through a vendor placing of 8.1m new shares of which 25 per cent are being placed with investors in the industry. The acquisition is made with the benefit of profits earned since April 1.

Mr Michael Gow, the Salvesen company secretary, said, however, that Salvesen was receiving £15m in addition to the sale price—that sum representing the value of the working capital that Salvesen has put into the building company since March 31 1986 when its net assets were \$8m.

In the year to March 1986 the turnover of the Midlands division was £12.9m and the operating profit was £1.48m. The houses are preliminarily detached and aimed at the top end of the market.

The Midlands division is expecting a profit before tax of not less than £2m for the 11 months to February 28 1987. The Westbury directors estimate that the operating profit for the six months to 31 August 1986 was \$2.6m, an increase of 1986 over 1985.

Stonehart boost for IBC after only two months

International Business Communications yesterday reported a 92 per cent increase from £18,000 to £304,000 in pre-tax profits for the six months to June 30, 1986. The increase included a two-month contribution by the recently acquired Stonehart Publications.

Pro-forma results, taking in a full six-month contribution by Stonehart, showed turnover up to £28m, compared with the actual figures of £5.94m (£2.62m), and profits at £1.2m.

The interim dividend will be 0.1p net as indicated in the circular sent to shareholders at the time of the company's full listing in January.

The good progress that the group was now making led the board to believe that the final dividend would be larger than that indicated at the time of the circular.

IBC's full listing was via the reverse takeover of the RTD Engineering Group, which has since undergone rationalisation. Two southern RTD plants are being sold to Mr V. K. Surley, who is resigning as a group director. RTD now only accounts for 17 per cent of the IBC turnover, and 12 per cent of profits.

Ipeco at £1.6m midway

Ipeco Holdings, one of the world's leading makers of aircraft crew seats, yesterday produced its first set of results since its flotation in April.

Mr Christopher Johnson, the chairman, said a pre-tax profit of £1.6m for the first half of 1986 compared favourably with £2.98m for the whole of 1985, when first and second-half profits were £1.94m and £1.12m respectively, due to the timing of deliveries against major contracts.

The chairman described the performance as satisfactory and said this year's result mainly reflected the increasing success of Ipeco's crew-seat activities and a significant interim contribution of £306,000 (£101,000).

After tax of £580,000 (£764,000) earnings per 10p share were 4.1p (4.9p) and there is an interim dividend of 1p in cash.

The company was continuing to examine further opportunities for both internal and acquisitive growth on both sides of the Atlantic in areas associated with its present manufacturing interests.

In particular, an acquisition was being considered in the US

BET/HAT

The first closing date in BET's \$117m bid for HAT Group is September 18 and not this Friday as reported yesterday. The final closing date, unless there is a competing bid will be September 28.

DIVIDENDS ANNOUNCED

Company	Current payment	Date	Corr. year	Total year	Total last year
Blackwood Hedge Int	0.5	Nov 14	nil	—	nil
Booker Int	4.75	Jan 2	4.25	—	12
Centura Int	1.5	Nov 8	1.5	2.25	2
Durek Group Int	1.5	Oct 13	Nil	—	Nil
Expamet Int	2.7	—	2.35	—	5.9
Fitch & Co Int	2.2	—	2	—	4.1
Hawley Group Int	2.1	Jan 29	1.75	—	4.6
Heckler Int	1	—	1.5	—	3.83
IBC Int	0.75	—	1.5	—	—
InterEurope Tech Int	4	Oct 31	3.7	5.8	5.4
Ipeco Int	1	Nov 12	—	—	4.5
Keop Trust Int	2.25	Nov 14	1.88	—	4.5
Lain Group Int	2.5	Oct 22	2.2	—	5
LEIS Int	1.5	Nov 8	1.5	2.55	2.2
Lopez Int	1.8	Oct 24	—	—	6
Low Howard Spink Int	2.7	—	2	—	12.5
Alfred McAlpine Int	4	Oct 24	3.8	—	3.75
Merchants Int	2.1	—	1.75	—	0.8
Newman Inds. Int	0.5	Nov 3	0.3	—	0.8
Pacific Sales Int	3	—	2	3	10
Pearson Int	5	—	4.25	—	1.65
Polypipe Int	1.1	Oct 28	3.33*	—	10.83*
Provident Fin Int	2.25	Oct 31	1.88	3.25	2.75
Ricardo Consulting Int	0.87	—	0.83	—	1.7
Senior Eng Int	0.58	—	0.53	—	4.9
Signer Int	0.58	—	2.75	4.33	—
Trade Promotion Int	3.5	—	2.5	—	5.63
Wills Faber Int	—	—	—	—	—

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. † Unquoted stock. ‡ US cents throughout.

GRANVILLE

High	Low	Company	Price Change	Gross Yield (%)	P/E	Fully Actual
148	115	Ass. Brit. Ind. Ord.	132	7.3	6.9	9.1
191	121	Ass. Brit. Ind. Ord.	191	10.2	7.8	—
125	43	Aimproving Grov.	104	7.2	12.2	4.9
46	28	Arresting and Road	36	4.8	2.5	2.1
188	108	Bardon Hill	198	4.8	2.5	21.1
81	42	Emy Technologies	81	4.2	5.3	9.1
201	78	Enfield	188	11	2.9	9.3
152	80	GCL 1100 Conv. Pl.	87	15.7	18.0	—
242	80	Carborundum Ord.	242	8.1	3.8	11.7
84	33	Carborundum 7 1/2p Pl.	83	10.7	11.8	—
138	48	Debono Services	138	7.0	5.0	14.5
32	20	Federick Parker Group	22	3.5	3.2	3.0
128	50	George Blair	117	3.0	4.2	18.7
71	20	Ind. Precision Castings	71	—	—	—
218	188	Isals Group	192	18.5	11.6	8.1
124	101	Jackson Group	124	8.1	4.8	7.8
377	228	James Burrough	374	17.0	4.8	10.6
100	85	James Burrough SpGr	86	12.9	18.0	—
88	58	John Howard Group	88	6.9	—	—
1088	342	Multihouse NV	830	—	—	42.8
380	280	Racord Highway Ord.	378	—	—	9.7
100	25	Racord Highway 7 1/2p Pl	88	14.1	15.8	—
82	32	Robert Jenkins	78	—	—	3.3
38	28	Soryonians A	38	5.7	5.1	6.7
111	28	Torley and Currie	111	7.9	2.6	6.2
370	220	Trevin Holdings	322	—	—	—
70	25	Unicoll Holdings	68	2.8	4.1	12.7
228	33	Walker Alexander	192	9.9	8.2	8.8
228	180	W. S. Yates	197	17.4	8.8	19.7

This advertisement is published by N.M. Rothschild & Sons Limited on behalf of Turner & Newall PLC. The Directors of Turner & Newall PLC are the persons responsible for the information contained in this advertisement. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts. The Directors of Turner & Newall PLC accept responsibility accordingly.

T&N Turner & Newall PLC

OFFER FOR
AE PLC

VALUE OF T&N OFFER:
(part share, part cash)

272p

AE SHARE PRICE:

243p

AE SHARE PRICE BEFORE OFFER:
182p

FINAL CLOSING DATE OF OFFER:
Friday, 12th September, 1986

Value of offer is based on share price of Turner & Newall at 3.30pm on 8th September, 1986. AE share price and AE share price before offer are prices at 3.30pm on 9th September, 1986 and on 19th June, 1986 respectively. Turner & Newall reserves the right to extend the offer to a later date or dates if a competitive situation arises. If the offer has been declared unconditional as to acceptances on or by 12th September, 1986, the part share, part cash offer will remain open for not less than fourteen days thereafter.

This advertisement complies with the requirements of the Council of The Stock Exchange. It does not constitute an offer of, or invitation to the public to subscribe for or to purchase, any securities.

U.S. \$4,000,000,000



United Kingdom

Floating Rate Notes Due 1996

The following have agreed to subscribe or procure subscribers for the Notes:

S. G. Warburg Securities	Credit Suisse First Boston Limited
Bank of Tokyo International Limited	Bankers Trust International Limited
Banque Bruxelles Lambert S.A.	Banque Nationale de Paris
Barclays de Zoete Wedd Limited	Baring Brothers & Co., Limited
Citicorp Investment Bank Limited	Commerzbank Aktiengesellschaft
County NatWest Capital Markets Limited	Deutsche Bank Capital Markets Limited
Dresdner Bank Aktiengesellschaft	EBC Amro Bank Limited
Goldman Sachs International Corp.	Hambros Bank Limited
Kleinwort Benson Limited	Lazard Brothers & Co., Limited
Merrill Lynch International & Co.	Samuel Montagu & Co. Limited
Morgan Grenfell & Co. Limited	Morgan Guaranty Ltd
Nomura International Limited	Orion Royal Bank Limited
N. M. Rothschild & Sons Limited	Salomon Brothers International Limited
J. Henry Schroder Wagg & Co. Limited	Standard Chartered Merchant Bank Limited
Swiss Bank Corporation International Limited	Union Bank of Switzerland (Securities) Limited

The issue price of the Notes is 100 per cent. of their principal amount. Application has been made to the Council of The Stock Exchange for the Notes to be admitted to the Official List.

Interest will be payable quarterly in arrears in March, June, September and December of each year, commencing in December 1986.

Particulars relating to the Notes are available in the statistical service of Extel Statistical Services Limited and copies may be obtained during usual business hours up to and including 12th September, 1986 from the Company Announcements Office of The Stock Exchange and up to and including 24th September, 1986 from:

S. G. Warburg Securities, 1 Finsbury Avenue, London EC2M 2FA	Credit Suisse First Boston Limited, 22 Bishopsgate, London EC2M 4BQ
The Government Broker, Bank of England, Threadneedle Street, London EC2R 8AH	Morgan Guaranty Trust Company of New York, Morgan House, 1 Angel Court, London EC2R 7AE

10th September, 1986

SENIOR ENGINEERING GROUP

First half 1986—record profits

INTERIM RESULTS (UNAUDITED)

	6 months to 30.06.86	6 months to 30.06.85	Year 1985
Turnover	50.0	49.6	103.7
Operating Profit	3.9	3.2	6.3
Profit before tax	3.6	2.3	5.2

Earnings per share (After Tax) 2.42p 1.62p 3.58p
Dividend per share 0.866p 0.825p 1.70p

Professor R. Smith Chairman:
"Earnings per share up 50%:
We look forward to a satisfactory overall result for 1986."

Senior Engineering Group plc
Senior House, 21 Derby Rd.
Watford, Herts. WD1 2LT

UK COMPANY NEWS

24% down. 91% up.
Building and Industrial Products Security Products

Despite showing only a modest increase at the half year, a satisfactory trading year is forecast for Expamet International PLC.

Poor performances to June at BAT Building Products and IBC are forecast to improve in the second half year.

The acquisition of Metal Industries, made in July, will contribute to second half results.

The excellent performance in the Security Sector will benefit further by full

second-half contributions from three newly acquired businesses: Mayor Turnstiles, Hoserworth and Maximal.

The interim dividend is raised almost 15%, from 2.35p to 2.7p.

STOP PRESS

Two new acquisitions just announced
VIDEOSCAN in the Security Sector
TESPA AG in the Industrial Sector

PROFIT STATEMENT

for the Half Year ended 30th June 1986 (unaudited)

	1986	1985	1985
	1st Half	1st Half	Full
	Year	Year	Year
	£000	£000	£000
Turnover	27,518	24,734	52,458
Profit on ordinary activities before taxation	2,237	2,210	4,377
Earnings per ordinary share	6.13p	6.00p	12.58p

EXPAMET INTERNATIONAL PLC
BUILDING INDUSTRIAL AND SECURITY PRODUCTS

For further information please write to the Secretary at Expamet International PLC, Clifton House, 83 Uxbridge Road, Ealing, London W5 5TA. Telephone: 01-840 5070.

The Laird Group
PUBLIC LIMITED COMPANY

Interim Results 1986

(Unaudited)

	Half Year to 30 June 1986 £'000	Half Year to 30 June 1985 £'000	Year 1985 £'000
Turnover	165,000	203,000	374,989
Profit before taxation	13,425	13,110	28,979
Taxation	(5,100)	(4,320)	(9,364)
Profit after taxation	8,325	8,790	19,615
Extraordinary items	—	—	(378)
Profit available for Ordinary Stockholders	8,325	8,790	19,237
Dividends	(2,239)	(1,880)	(4,742)
Retained profit	6,026	6,910	14,495
Earnings per Ordinary Stock Unit	10.5p	11.2p	24.9p

Notes

- An interim dividend of 2.9p net per Ordinary Stock Unit (1985 2.4p net) will be paid on 1 December 1986.
- The tax charge for the half year includes overseas tax of £3.6 million (1985 £2.5 million).

This is an extract from the full announcement of the interim results for the half year to 30 June 1986 which is being sent to Ordinary Stockholders. Copies of the announcements are available from The Secretary, The Laird Group Public Limited Company, 3 St. James's Square, London SW1Y 4JL.

Savoy hits £5m despite a shortfall in tourism

Savoy Hotel, owner of a clutch of prestigious upmarket hotels in London and Paris, felt the impact of a lack of US tourists to the capital during the first six months of 1986 but for the period still managed a profits rise of \$305,000 to \$5.03m pre-tax.

May was a particularly slack period for tourism and August was also a poor month.

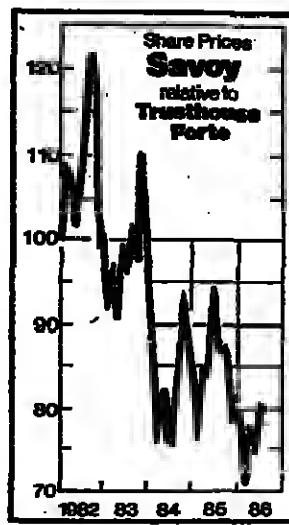
However, the directors said yesterday that bookings for the remainder of the year looked satisfactory and added that they would be disappointed barring any unforeseen incidents. If full year figures fell short of 1985's £10.71m.

During the half year some \$4m was spent on capital improvements, a further £2.2m being spent on repairs, maintenance and renewals.

The car hire business of Patrick Barthrop was acquired during the period and amalgamated with Camelot Car Couriers to form Camelot Barthrop, now Europe's leading chauffeur driven car business and now wholly-owned by the group.

July saw the \$4.75m acquisition of the Lygon Arms, a 62-room, 18th-century inn in Broadway, Worcester.

Total receipts for the opening six months pushed ahead from \$27.82m to \$29.49m. Trading expenditure accounted for



\$23.72m, against a previous \$22.45m, and depreciation for £1.04m, up from \$390,000.

Trading profits worked through at \$4.74m, compared with \$4.51m, to which investment income added \$37,000, an improvement of \$29,000. Interest charges were little changed at \$59,000 (£60,000). Tax rose to £1.6m (£1.5m) and left the net balance \$200,000 ahead at £3.45m. Minorities accounted for £14,000 (£20,000).

Attributable profits emerged at \$3.45m, against \$3.21m, equal to earnings of 12.07p (11.32p) per 10p A share and 8.03p (5.66p) per 5p B share.

Trusthouse Forte, the much larger hotels and catering chain which has been trying to take over the Savoy group for a number of years, owns 69 per cent of the group's A and B shares, although the split voting structure gives TEF only 42.3 per cent of the total votes.

Commenting on Savoy's results, Mr Donald Main, TEF finance director, said the figures were very much in line with what TEF expected, given Savoy's past record.

He added: "Our calculations lead us to believe that we can achieve significantly higher sales and profits from these assets, that would make them justify the value which we have placed on them."

"We would be aiming to approximately double their earnings."

Mr Main pointed out that TEF had "a number of ways of improving their sales performance" in mind, based on what TEF had achieved in comparable hotels in terms of sales per bedroom.

He concluded: "We believe a lot could be made of them. When we get control, we will."

Hawley earnings advance in first half

Hawley Group, Mr Michael Ashcroft's cleaning and industrial services group, yesterday released its first set of results in US dollars. These showed almost doubled pre-tax earnings of \$25.26m (\$17m) for the first half of 1986, against \$13.78m last time, with the major part of the increase due to internal growth by the mainstream trading companies.

Net sales rose 21 per cent from \$231m to \$279.95m (\$258m) after tax of \$3.86m (\$2.58m) earnings per common share increased 29 per cent to 6.6 cents (5.1 cents).

However, Mr Ashcroft said yesterday that such an exceptional rate of increase should not be expected for the year as a whole, because of the issue of convertible preferred stocks and the short-term effect of the acquisition of Pritchard Services Group.

The Pritchard acquisition has doubled the size of the group, making Hawley one of the largest service groups in the world. Mr Ashcroft said the integration was proceeding well and would bring substantial benefits to the group in the future.

No contribution has been included for the period from Pritchard which will be consolidated for the first time in the second half.

Explaining the switch to dollars in the interim statement, Mr Ashcroft said that the board believed this better reflected the group's international status and in future Hawley would continue to account and report earnings in dollars. Since 1984, the company's shares have been dollar-denominated and dividends declared in cents.

The group has announced a scrip issue of one new common share for every 80 shares held, with the option of an interim dividend cash alternative of 2.1 cents (1.75 cents).

Michael Ashcroft doubled the size of the Hawley Group through the agreed £148m bid for Pritchard in June. Even more recently he briefly muddied BET's waters in its double-header bid for Brengreen and HAT Group. In cleaning, Hawley has now moved in front of OCS to take the lead in the UK and lies second to Service-master in the more fragmented US market. The expanded group's sales should be in excess of \$1bn a full year but Mr Ashcroft will have his work cut out to significantly improve on Pritchard's 31 per cent pre-tax margins. For the full year Hawley should make \$75m of which some \$12m will come from a maiden Pritchard contribution. A prospective multiple of less than 9 on the shares at 112p (91.7) reflects City caution where Hawley and cleaning is concerned and the apparent certainty of earnings dilution this year.

Cautious outlook at Fitch & Co

By Philip Cogan

TOUGHER competition restricted profits growth at Fitch and Co Design Consultants to 1.1 per cent in the six months to June 30. Although the company remains cautious for the second half, it is looking forward to faster growth next year.

Pre-tax profits were up from \$737,000 to \$745,000 on turnover up from \$4.2m to \$4.7m. After tax of \$285,000 (£234,000), earnings per share rose 1.1 per cent from 8.1p to 9.0p. The interim dividend is being increased from 2.0p to 2.2p.

Fitch regards these latest figures as representing a "transitional phase" in which money is spent on capturing new contracts, such as Midland Bank, and on new divisions, such as a department specialising in corporate identity. As part of the development, staff numbers have topped 300 and salaries have been increased.

The redesign of Debenhams' stores is one of Fitch's most important contracts.

Dialene jumps 48%

DIALENE, the plastic injection moulder which came to the USM last December, achieved a 48 per cent rise in pre-tax profits for the year to May 31, 1986.

With turnover 22 per cent ahead from \$3.97m to \$4.86m, the pre-tax result improved by \$317,000 to \$264,000. The 1985 figure was adjusted for the USM prospectus.

A final dividend of 2.9p was forecast at the time of flotation, and the directors are now recommending a 3p payment for the year. Earnings per 25p share are shown up from 17.6p to 20.1p.

The directors said the company held a strong position in the industry, particularly through the introduction of new lines. This year they intended to introduce an even greater number of products.

Dialene continued to operate a policy of substantial capital investment, they stated.

Second half setback halts Sigmex's growth record

DIFFICULT market conditions in the second half of the year have halted the 12-year continuous growth record of Sigmex International, the European electronic systems engineering group.

Turnover for the year to July was slightly down at \$11.84m (\$11.86m) and this, coupled with increased operating costs, resulted in pre-tax profits of \$238,000, significantly lower than the £1.6m achieved in 1985. Continued investment in developing the group's system engineering activities has resulted in a record order book, but this is not reflected in the results.

The group, which provides scientific markets, increased its overseas trade by 49 per cent last year.

Overseas trade now accounts for a record 46 per cent of turnover compared with 33 per cent in 1985.

The group has secured contracts to supply NATO's war headquarters information display system, and to develop and supply a weather information system for the Royal Netherlands Air Force. Half of these contracts are due to be completed in the coming year.

The group, which has subsidiaries in Germany, France and the Netherlands, came to the United Securities Market at the end of last year. The directors have recommended a dividend of 0.55p per 10p ordinary share. Stated earnings were 2.25p against 12.61p.

Falling oil and gas prices hold back LMS profits

IN SPITE of the adverse effect of declining oil and gas prices during the latter part of the year pre-tax profits of London Merchant Securities, investment holding concern with interests in property, oil and gas and insurance, eased ahead from \$16.48m to \$17.21m for the year ended March 31, 1986.

In December the directors said that profits were showing some continued growth in the second half, but that the dollar exchange rate and the level of oil and gas prices would have some bearing on the final outcome. In the event the contribution for the latter six months slipped from \$3.97m to \$3.88m.

In the light of prevailing conditions the group's oil and gas investments have been reassessed and realistic provisions made, the directors explained.

There has also been incorporated the effect of the transfer, after year-end, of the North American oil and gas interests for shares in Carless Capel.

The resultant charge to capital reserve of £10.5m and £16.48m to \$17.21m for the year ended March 31, 1986, are reflected in the fall in shareholders' funds of some \$6m to \$167.4m (£173.5m).

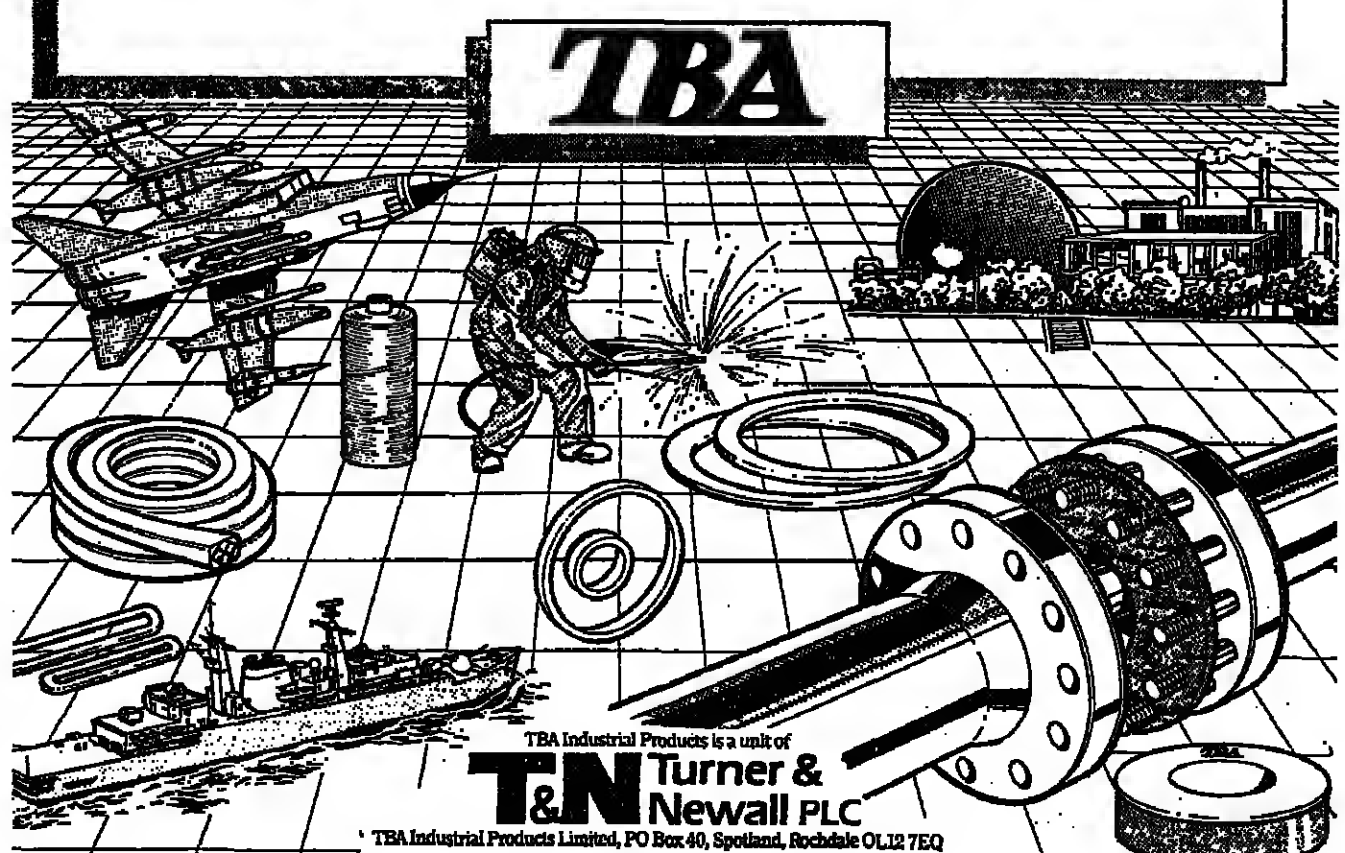
After tax of \$7.61m compared with \$5.48m, and minority interests of £1.89m (£1.66m), the attributable balance came through down at \$7.72m, against \$9.94m.

Earnings per share were shown as 4.53p (5.84p) basic and 3.41p (3.96p) fully diluted while the dividend is stepped up to 2.55p (2.2p) with a final payment of 1.5p.

TBA - Leading Innovator and Exporter of Industrial Materials

TAKE A LOOK AT THE FACTS

- TBA is one of the world's leading suppliers of industrial textiles for heat protection and has the largest manufacturing plant in the world for sheet gasket materials.
- TBA is the only manufacturer in the world who has developed successfully the technology to manufacture glass fibre reinforced sheet gasket materials.
- TBA has developed an approved fire blocking layer fabric for aircraft seats.
- TBA is a world leader in the production of PTFE thread seal tapes and is the only manufacturer to have met the requirements of the latest standards for this product in gas installations in the UK.
- TBA has perfected a non-asbestos fabric capable of withstanding temperatures up to 1000°C.
- TBA's Sealing Materials Division has been the major supplier for nearly a decade to the French nuclear power industry, operating successfully in the most critical areas of application.
- TBA markets composite materials used in applications from rocket motors and aircraft drop tanks to vehicle heatshields.
- TBA exports to almost every country of the world, with sales in excess of 50 per cent of its turnover.



TBA Industrial Products is a unit of
T&N Turner & Newall PLC

TBA Industrial Products Limited, PO Box 40, Spottland, Rochdale OL12 7EQ

MITSUI FINANCE ASIA LIMITED
(Incorporated in the Cayman Islands)

US\$100,000,000
12 1/4% Guaranteed Notes Due 1992

NOTICE IS HEREBY GIVEN that pursuant to Condition 7(B) of the 12 1/4% Notes, US\$3,500,000 principal amount of the Notes has been drawn, for redemption on 14th October, 1986, at the redemption price of 101 1/4% of the principal amount, together with accrued interest to but excluding 14th October, 1986.

The serial numbers of the 12 1/4% Notes drawn for redemption are as follows:-

20	51	102	145	183	190	206	221	230	281
386	307	380	416	444	481	457	540	648	580
602	713	719	741	743	807	821	841	892	1024
1057	1062	1095	1132	1149	1155	1157	1185	1172	1202
1230	1250	1273	1291	1317	1347	1421	1434	1436	1443
1450	1477	1488	1499	1513	1569	1580	1623	1821	1658
1688	1704	1741	1768	1770	1810	1818	1837	1845	1858
1876	1889	1924	1927	1932	1948	2038	2082	2075	2143
2162	2182	2187	2249	2251	2329	2229	2333	2383	2411
2446	2460	2470	2520	2535	2585	2527	2526	2678	2730
2749	2763	2855	2857	2881	2893	2884	2886	2894	2898
2917	2940	2996	3011	3031	3075	3089	3108	3171	3214
3252	3256	3291	3325	3300	3433	3489	3570	3681	3744
3945	3982	3990	3998	4013	4039	4088	4105	4120	4237
4254	4258	4260	4285	4348	4387	4388	4443	4468	4679
4280	4573	4590	4966	4702	4705	4740	4758	4778	4784
4793	4985	5016	5039	5061	5088	5094	5129	5185	6202
5219	5229	5296	5265	5298	5312	5352	5389	5384	5398
5383	5461	5457	5511	5515	5548	5528	5557	5562	5624
5625	5643	5653	5715	5716	5762	5772	5776	5811	5826
5973	5977	5985	5928	6022	6023	6026	6055	6068	6075
6182	6200	6202	6234	6211	6277	6240	6256	6265	6282
6327	6392	6405	6436	6461	6515	6551	6556	6575	6627
6633	6632	6634	6713	6721	6768	6772	6773	6781	6832
6843	6826	6882	6913	6960	6963	6998	7000	7012	7013
7031	7067	7132	7232	7253	7401	7402	7410	7529	7578
7815	7830	7860	7878	7929	7739	7740	7756	7763	7917
7942	7970	8036	8112	8123	8127	8123	8139	8265	8267
8300	8345	8306	8374	8424	8425	8429	8441	8519	8522
8530	8539	8544	3558	8570	8590	8502	8620	8708	8793
8794	8882	8921	8927	8928	8936	8823	9009	9055	9087
9118	9205	8223	8263	8253	8319	8366	8369	8381	8412
9428	9469	9468	9511	9527	9535	9539	9540	9623	9634
9651	9673	9676	9745	9780	9739	9801	8915	8828	
9880	9921	9950	9962	9970	9973	10067	10082	10101	10107

10108	10117	10123	10135	10152	10200	10229	10233	10256	10271
10422	10468	10469	10478	10483	10516	10589	10577	10592	10628
10638	10642	10657	10738	10768	10808	10808	10882	11088	11109
10884	10971	10880	10940	10978	10985	10985	11081	11081	11109
11134	11181	11189	11200	11209	11232	11273	11274	11296	11347
11348	11353	11364	11380	11388	11398	11410	11410	11410	11410
11448	11469	11472	11478	11482	11508	11646	11628	11718	11734
11746	11760	11764	11788	11791	11829	11831	11836	11837	11859
11875	11913	11915	11938	11939	12028	12218	12232	12336	12360
12192	12218	12236	12316	12322	12369	12316	12322	12336	12360
12399	12403	12414	12518	12517	12540	12580	12695	12606	12623
12850	12703	12714	12741	12783	12718	12718	12718	12718	12811
13029	13125	13128	13159	13181	13190	13248	13270	13206	13319
13329	13343	13383	13381	13386	13413	13415	13415	13428	13529
13549	13551	13583	13571	13575	13642	13662	13678	13709	13725
13773	13803	13807	13841	13853	13887	13874	13878	13887	13899
13900	13910	13942	13981	14027	14039	14037	14039	14079	14105
14143	14164	14187	14198	14215	14237	14250	14268	14292	14318
14350	14428	14437	14454	14489	14413	14459	14573	14671	14718
14784	14798	14820	14875	14927	14977	15009	15123	15177	15213
15217	15281	15292	15299	15326	15335	15422	15447	15464	15558
15670	15672	15877	15885	15888	15884	16719	16748	16762	16758

UK COMPANY NEWS

Static six months for fast-expanding Expamet

FAST-EXPANDING Expamet International had a static opening six months with profits rising by just £27,000 to £2.24m at the pre-tax level.

The lower-than-hoped-for figures were brought about by a very slow start by Bat Building Products and by continuing losses at Industrial Building Components.

However, the directors said they were confident the group would sustain a positive growth record.

As part of its planned diversification strategy, Expamet recently acquired a clutch of security companies — Aot Controls and Mayor Turstiles and Phoenix Controls, Roseworth and Maximal.

Yesterday, the directors announced that the group had moved into a third segment of the security market via the acquisition for £2.5m in cash and shares of Videoscan, a leading supplier of CCTV security systems to the UK retail sector.

Further consideration would depend on profits. Group turnover for the six months to June 30, 1986 im-

proved from £24.75m to £27.52m. Earnings amounted to 6.13p (6p) after tax of £205,000 (£260,000) and in line with the forecast made at the time of the £2m acquisition of Metal Industries from Thorn EMI in June, the interim dividend is being lifted from 2.35p to 2.7p on the capital enlarged by the £2.2m rights.

The directors said that Bat was currently trading at a satisfactory level and after major reorganisation IBC was now showing real improvements and was expected to be trading profitably by the year-end.

The group's full year results would also benefit from six months' contributions from the security acquisitions.

Of the £2.5m paid for Videoscan, £1.25m was paid on completion. The balance, also in cash and shares, has been deferred until March 1987.

Expamet gives all the appearance of trading water with these interims. The proverbial would depend on profits. £200,000 once again, were added to an even worse winter

performance by BAT Building Products (£180,000 down) which were almost exactly offset by growth in expanded metals. The fact that the City was expecting a drop at the halfway and instead got a steady result helped keep the shares up at the 179p level. The acquisitions made in the last eight months should produce enough to get Expamet back to the £5.5m forecast for the unexpanded group earlier this year. However, the £15.2m cash and shares issued will hardly be washing its face if £700,000 is all it can add in a six month period. With the rights just behind it, Expamet is limited on acquisitions by its self-imposed 35 per cent gearing ceiling. As purchases in the security sector are more highly rated than the group overall, further expansion in this better margin sector could be slowed. At present levels the shares enjoy 5.5 per cent prospective yield support on a forecast yearly payout of 6.75p. However, the dividend is under twice covered and the £2m payout cost leaves precious little for the war chest.

Overseas activities aid Lopex profit rise

THE OVERSEAS operations of marketing services group Lopex accounted for 48 per cent of its pre-tax profits for the six months to June 30. Group profit, which was relatively static in 1985, rose 26 per cent from £1.2m to £1.51m on turnover up from £48.52m to £53.72m. Earnings per share rose from 4.54p to 4.95p.

Lopex was seated on the stock market in June, but the issue was underwritten due to City criticism of its lack of structure and synergy between its various subsidiaries.

The group has set about putting this right through merging two of its agencies into a single unit called AEL Lane which will commence business in October with billings of about £20m.

In addition it is negotiating a management buyout of Kirkwood and Partners.

Volatile

The group says that overseas earnings, which had been held back in 1985 due to problems in its US and South Africa operations, were not materially affected by the volatile exchange rates during the period under review.

Another area of growth was Media Expenditure Analysis (MEAL), which has expanded its range of services, including the extension to "on line" access to MEAL data.

Lopex says significant new business gains were made in all areas of activity, both in the UK and overseas, with activity continuing at a high level during the normally quiet summer months.

The board has declared an unchanged interim dividend of 1.8p net.

New clients gained in the half year included Apricot Computers, Asda, British Airways and Volvo.

The board is confident of maintaining progress in the second half and so meeting its target set at the time of its listing of pre-tax profits not less than £1.2m and earnings per share of 4.33p.

Senior Engineering raises profit 54%

THE RATIONALISATION undertaken at Senior Engineering bore fruit in the first half to June 30 and pre-tax profits rose 54 per cent from £2.35m to £3.62m on turnover of £50m, against £48.52m. In the comparable period of last year there were exceptional charges of £360,000 from UK redundancy costs.

In the period there were extraordinary charges of £375,000 for plant removal and other costs incurred during the reorganising of businesses acquired during the period. Acquisitions this year have involved a total cash investment of £3m.

Tax rose to £1.24m (£748,000). Earnings per share after tax and before extraordinary charges were 2.42p (1.62p).

Investment income fell to £222,000 (£279,000) and interest payable fell to £545,000 (£599,000).

The group said performance in the light engineering division had benefited from an upturn in business from the domestic coal mining industry and the thermal and air handling and plastics divisions also had a good first half. However, the steel tube division had suffered from a short order book. The US subsidiaries were seeing improvements after the reorganisations.

The interim dividend has been raised to 0.866p (0.825p)

and the board intends to recommend that the final is also raised in line with its policy of increasing the ratio in favour of the final payment.

Senior has not received the bonuses accorded some of its rivals in the engineering sector but a 54 per cent first half profit increase on top of an 80 per cent rise last year indicates that it is entitled to blow its own trumpet. There are still problem areas, notably the Penn machine subsidiary in the US. The group has shown a willingness to sell off loss-making companies and the second half will see loss elimination, particularly the disposal of Green Site Services, which lost £800,000 last year. Although the steel tubes division will continue to be hit by sluggish conditions in the engineering industry, prospects for both the air handling and plastics and the thermal divisions look good and the light engineering division is benefiting from surprisingly buoyant demand from British Coal. Speculation will centre on Senior's acquisition policy; so far the purchases have been small but the indications are that the next bid will be much larger and possibly in the US. For the full year profits of £3m has the shares at 52p on a prospective p/e of 10.

Slower credit collection hits Provident Financial

FIRST HALF profits of Provident Financial Group, consumer credit and insurance, were hit by the relatively poor start of the weekly-collected credit companies, which account for 80 per cent of the group's turnover.

Pre-tax profits were down at £1.77m (£7.15m) on turnover up at £177.85m (£163.64m). The after-tax profit is also lower at £3.62m compared with £3.2m and earnings per share are 7.3p (8.5p).

Shareholders were warned of the slow start by the chairman, Sir Timothy Kitson at the annual meeting in April. He said then that it was partly due to bad weather conditions.

The large surge of customers in 1985 had also caused problems which had been exacerbated by the introduction of a new administrative system that had resulted in rather more slow paying customers than

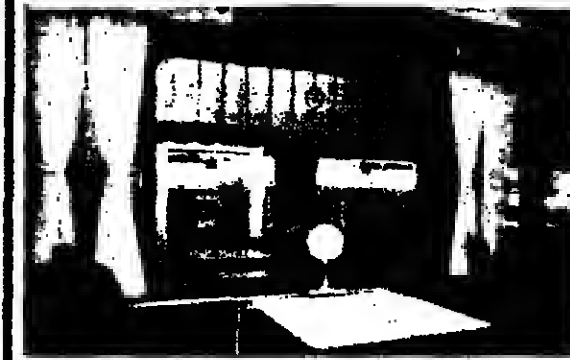
usual. The group was making efforts to correct that and expected a significant recovery in the second half of the year.

Elsewhere in the group, progress was being maintained with the finance-related and direct sales companies doing particularly well. The group's insurance interests included Colomade Insurance Brokers, Colomade Reinsurance, Halifax Insurance, Car Care Plan and the recently acquired, Yorkshire Mutual Trading. It also owned the Whitegates Estate Agency chain.

Its direct sales companies include Provident Direct Sales, James Keir and PBS Home Shopping. The group also owned the registered travel agent, Sunbridge Travel.

The group is paying an interim dividend of 4p (3.3p) per 25p. The board was confident that the final dividend would be similarly increased.

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(for single and double entrances)

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Side-panel hinged windows · Drop windows
Fixed windows · Sliding windows

INTERNAL COMPONENTS:
Sliding compartment doors
Corridor wall units · Hinged doors
Swing doors · Partitions
Communication doors · WC doors

GOODS WAGONS:
Loaders · Ventilators
Sliding doors (single and double)
Rear lights · Miscellaneous equipment

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COMPANY NEWS IN BRIEF

YEARLINGS—The interest rate for this week's issue of local authority bonds is 9.12/16 per cent, up 1 of a percentage point from last week, and compares with 11.5/16 per cent a year ago. The bonds are issued at par and are redeemable on September 16 1987. A full list of issues will be published in tomorrow's edition.

MERCHANTS TRUST has a net asset value of 150.1p at end July 1986 compared with 119.2p a year earlier. Net revenue 7/1y amounted to £2.5m (£2.01m) for earnings of 2.45p (2.04p) per share. The interim dividend is lifted to 2.1p (1.75p).

PACIFIC SALES Organisation, importer of small leather goods, saw turnover fall to £3.53m (£3.78m) and pre-tax profits to £52,794 (£40,026) in the year to June 30, 1986. First dividend 2p for same-again 3p net total. Earnings fell to 4.71p (8.28p). The company's 10p shares are traded on the USSE.

BESTWOODS offer for Barris Investment has been declared unconditional as it now has acceptances on 54.77 per cent of the ordinary shares of the company.

FLEXTECH—the partial offer being made for the company, through subsidiary Land Builders, has been declared unconditional as to acceptances. By the close of business on September 5 acceptances had been received in respect of 2.91m shares (16.2 per cent), of which 14.2 per cent were irrevocable undertakings to accept. First closing date is September 12.

JOHN MOWLEM has sold its subsidiary, Carroll Security of Crofton, Surrey, to the existing management. The company, which installs burglar alarms and other security equipment, was acquired from SGB Group, taken over earlier this year.

CHATELIERHOUSE Development Capital has purchased a minority stake in Scottish-based John G. McGregor (Holdings), which values it at about £20m. McGregor builds private retirement homes.

BET has received the necessary acceptances in its £300,000 offer for Electrical Press to ensure the acquisition of the remaining shares. The offer has now become unconditional and has been extended until September 26.

MAYFAIR and City Properties, through subsidiary Land Builders, has completed the purchase of a freehold site consisting of 3.68 acres at Queensway Industrial Estate, Scunthorpe, Humberside for £102m cash.

NEW DARIEN Oil Trust net asset value fell to 61.6p as at July 31 1986 compared with 75.9p a year earlier, and 65.1p (77p) adjusted for exercise in full of rights attached to warrants. Net revenue was £44,000 (£47,000), earnings per share 0.44p (0.47p).

KLEINWORTY BENSON Euro-head increased net revenue from £1.78m to £2.13m for the year to September 3, 1986. Net asset value per income share was £5.64 (a £16.72d). A final dividend of 67.85p makes a total of 132.95p (120.72p) gross. The company is to change its name to Kleinworty Benson International Income Bond Fund.

BIOC, the international cables, communications and components group, is to acquire the UK and Swedish businesses of Phicom's Imhof-Bedco electronic enclosures division for £3.26m.

This advertisement complies with the requirements of the Council of The Stock Exchange. It does not constitute an offer of, or invitation to the public to subscribe for or purchase, any securities.



HALIFAX BUILDING SOCIETY

£150,000,000 Floating Rate Loan Notes 1996 (Series A) and £150,000,000 Floating Rate Loan Notes 1996 (Series B)

The following have agreed to subscribe or procure subscribers for the Notes:

- | | |
|--|--|
| Credit Suisse First Boston Limited | Morgan Grenfell & Co. Limited |
| ANZ Merchant Bank Limited | Bankers Trust International Limited |
| Banque Nationale de Paris | Barclays de Zoete Wedd Limited |
| Baring Brothers & Co., Limited | Cater Allen Limited |
| CIBC Limited | Clive Discount Company Limited |
| County NatWest Capital Markets Limited | Dai-ichi Kangyo International Limited |
| Deutsche Bank Capital Markets Limited | E F Hutton & Company (London) Ltd |
| IBJ International Limited | Lloyds Merchant Bank Limited |
| Merrill Lynch International & Co. | Mitsubishi Finance International Limited |
| Samuel Montagu & Co. Limited | Morgan Guaranty Ltd |
| Nippon Credit International Limited | Nomura International Limited |
| Salomon Brothers International Limited | Standard Chartered Merchant Bank Limited |
| Sumitomo Finance International | Union Bank of Switzerland (Securities) Limited |
- S.G. Warburg, Akroyd, Rowe & Pitzman, Mullens Securities Ltd.

The issue price of the Notes is 100.05 per cent. of their principal amount. Application has been made to the Council of The Stock Exchange for the Notes to be admitted to the Official List.

Interest for the Series A Notes will be payable monthly in arrears beginning in October 1986 and in the case of the Series B Notes interest will be payable semi-annually in arrears beginning in March 1987.

Listing Particulars relating to the Notes and the Issuer are available in the statistical service of Ertel Statistical Services Limited and copies may be obtained during usual business hours up to and including 12th September, 1986 from the Company Announcements Office of The Stock Exchange and up to and including 24th September, 1986 from:

- | | | | |
|---|---|---|--|
| Halifax Building Society
Trinity Road
Halifax
West Yorkshire HX1 2RG | Credit Suisse First Boston Limited
22 Bishopsgate
London EC2N 4BQ | Fember & Boyle
29 Finsbury Circus
London EC2M 7BB
and The Stock Exchange | Orion Royal Bank Limited
1 London Wall
London EC2Y 5JX |
|---|---|---|--|

10th September, 1986

PEARSON

Information and Entertainment Engineering Investment Banking Fine China Oil and Oil Services

Group Results for the half year to 30 June 1986			
Millions (unaudited)	1986 Half year	1985 Half year	1985 Full year
Turnover	455.0	450.5	970.1
Profit before interest	50.6	49.0	124.6
Profit before taxation	44.1	41.7	109.3
Profit after taxation and minority interests	24.3	20.7	57.6
Earnings per ordinary share	12.4p	11.0p	30.0p

The results for the year 1985 are an abridged version of the full accounts which received an unqualified report by the auditors and have been filed with the Registrar of Companies.

Statement by the Chairman, Lord Blakenham

The Group's pre-tax profits for the first half of 1986 were up on last year, increasing from £41.7 million to £44.1 million and earnings per share improved from 11.0p to 12.4p, an increase of 15 percent. These gains were achieved despite the weakening of the dollar against sterling which affected the figures adversely since a significant part of the Group's profits arises in North America.

Two sectors, investment banking and information and entertainment, produced excellent results with the main improvement in the latter coming from the Financial Times. The lower contribution from the oil and oil services sector was due to the effect of lower oil prices but Camco's was nonetheless an outstanding performance as many comparable US companies made losses during this period. Profits of the fine china sector remained about the same as last year, not helped by the strength of sterling and the smaller number of American tourists.

In May we raised US\$75 million through a convertible eurobond issue. Pearson has also started to use the US commercial paper market, following the award of high credit ratings, as a means of raising short term finance on attractive terms. On the home front the most important news was the announcement of a £55 million two year development plan by the Financial Times to strengthen its competitive position by setting up a new printing and publishing plant. We have sold a number of engineering businesses and provincial newspapers the lower oil price provided an attractive opportunity to increase our oil holdings in the North Sea and the United States.

Mr John Hale retired as managing director on 1 September and we are grateful for the major contribution he has made in focussing the Group and strengthening our structure and organisation. I am continuing as chief executive and Mr Frank Barlow, who is the chief executive of the Financial Times and of Westminster Press, and Mr Mark Burrell, who is a managing director of Lazard Brothers and has been a non-executive director since 1977, have both become executive directors of Pearson. They have joined myself, James Joll, group finance director, and David Veit, who is in charge of our US business, in forming a new executive team. We shall continue the strategy of concentrating our activities on businesses where we see long-term competitive advantage.

Your directors have declared an interim dividend of 5.0p per ordinary share (4.25p in 1985) which will be paid on 3 November 1986 to shareholders on the register on 3 October 1986. This reflects our policy of paying an interim equal to half the dividend of the previous year.

Michael Blakenham
9 September 1986

A copy of the full announcement, which has been sent to all shareholders, is available from the Secretary Pearson plc, Millbank Tower, London SW1P 4QZ. Telephone: 01-828 9020.

PROVIDENT FINANCIAL GROUP INTERIM RESULTS

The reduced first half figures are the result of the relatively poor start by the weekly-collected credit companies to which the Chairman referred at the A.G.M. Since the A.G.M., it has become clear that the large surge in customer numbers in 1985, although beneficial in the long term, has caused problems which have been exacerbated by the introduction of new branch administrative systems. The staff have been unable to attend equally well to all aspects of the business and, as a result, we have rather more slow paying customers than usual. A significant recovery is expected during the rest of the year as current management efforts bear fruit.

Elsewhere in the Group, progress is being maintained, with the subsidiaries performing better than last year. The insurance-related and direct sales companies in particular are having a good year.

The interim dividend of 4p per share is an increase of 20%, taking

into account the increased number of shares. The board is confident that the Company's prospects will justify at least the same increase for the full year. The interim dividend will be payable on 22nd October 1986 to ordinary shareholders on the Register at close of business on 25th September 1986.

Results at a glance for the half-year ended 30th June 1986

	Unaudited Half Year to June 1986	Unaudited Half Year to June 1985	Audited Full Year 1985
	£'000	£'000	£'000
Turnover	177,882	163,639	385,372
Group Profit	5,670	7,145	23,723
Ordinary dividend per share	4.00p	*3.33p	*10.83p
Earnings per share	7.33p	*8.31p	*28.22p

*Dividends and earnings per share in 1985 have been amended to enable a true comparison to be made with 1986 which includes the capitalisation issue of 8,212,782 ordinary shares.
The Interim Report 1986 will be posted to shareholders on 17th September 1986. Copies may be obtained from the Secretary.

Provident Financial Group PLC
Colnacre, Sunningdale Road, Brackford BD1 2LQ, Tel: 0274 723321

London Merchant Securities plc

Highlights of the year

	1986 £000	1985 £000
Profit before tax	17,211	16,493
Profit attributable to shareholders	7,719	9,337
Shareholders' funds	167,392	173,538
Earnings per Ordinary share	4.83p	5.84p
Dividends per Ordinary share	2.55p	2.20p

Record pre-tax profits achieved, but earnings per share reduced by £2.1 million tax increase. Appreciation in market value of listed investments greatly exceeds reduction in shareholders' funds.

Report and Accounts available from the Secretary, (after 16 Sept.)
Carlton House, 33 Robert Adam Street, London W1M 5AH.

UK COMPANY NEWS

Hestair boosted by strong growth in consumer goods

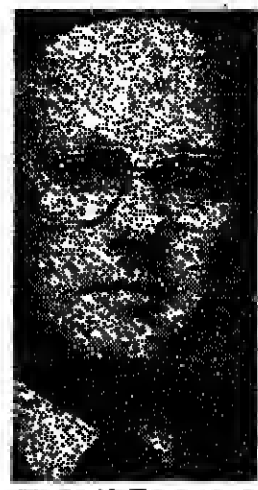
By Alice Rawsthorn

Hestair, the industrial holding group, has almost doubled pre-tax profits to £3.1m in the first half of its year after strong growth from its consumer goods and services divisions.

"This is the first time for many years in which all our operating groups have improved their performance," said Mr Hargreaves, Hestair's chairman.

In the six months to July 31, Hestair's turnover rose to £83.5m (£80.5m) and pre-tax profit to £3.1m (£1.5m). The first half benefited from £450,000 contributed by the company's ongoing pensions holiday, and the second half will benefit to the same extent. Earnings per share increased to 8.5p (4.5p) and the directors propose to pay an interim dividend of 1.7p (1.5p) a share.

The employment bureau — bought by the recent acquisition of the JSD Computer Group which places computer personnel into contract positions in the US — made the largest contribution to group profit, with trading profits of £1.7m (£1.2m) on turnover of £20.1m (£17.9m). JSD has been consolidated for the full six months, and the comparable figures for the first half last year restated accordingly. Hestair is now eager to expand its employment bureau



Mr David Hargreaves, chairman of Hestair

interests, in niche areas in the US. Toys sported the strongest growth, stimulated by healthy orders from retailers in anticipation of the Kiddecraft range's first pre-Christmas advertising campaign and by the introduction of upmarket ranges. Trading profits increased to £285,000 (£27,000) and turnover to £3.1m (£2.3m). Stationery and mail order increased trading profits to

£1.28m (£925,000) and turnover to £11.25m (£9.85m).

Although engineering is still the largest contributor to group sales, its turnover fell slightly to £31.4m (£31.5m), but trading profits rose to £229,000 (£219,000).

The company is less sanguine about this division's future prospects, however. Mr Hargreaves expects to dispose of the farm engineering interests, partly through sales to outside purchasers and partly with a management buy-out.

He hopes to conclude the disposals by the end of the current financial year. Future acquisitions will be funded by either shares or cash.

The company's share price, which has risen rapidly in recent months — partly because of Hestair's recovery from the doldrums of the early 1980s and partly because of unfounded rumours that Blue Arrow was contemplating a bid — rose by 5p to 176p yesterday.

New agencies boost Lowe Howard profit

By Alice Rawsthorn

LOWE HOWARD-SPINK & BELL, the international advertising agency, yesterday announced that pre-tax profits had more than doubled and turnover tripled in the first half of the year.

In the six months to June 30 the agency produced pre-tax profits of £3.2m (£1.4m) on turnover of £72.3m (£23.5m). Earnings per share rose to 11.46p (7.26p) and the dividend has been increased to 2.7p (2.0p).

The acquisition of the Marschalk international network of agencies at the end of 1985 provided much of the company's growth in the latest period. Although Lowe's chief executive, Mr Tim Bell, said the London agency reported organic growth too, Allen Brady and Marsh, the agency acquired in early June, made a small contribution.

In the first half the London agency won new accounts from Mobil Oil, United Biscuits and Bell's Scotch Whisky. The Marschalk acquisition, which was devised to strengthen Lowe's international presence, yielded a global account from Opel cars in West Germany.

Lowe intends to expand by international acquisitions — by purchasing further European agencies and possibly a second agency in North America — and to diversify into new areas of the marketing services sector in the UK.

"Our first priority is, and has always been, to establish a

worldwide creative agency," Mr Bell said. "Our second is to build the London agency organically so that it can support that expansion and our third is to move into other strands of marketing services."

comment

Lowe Howard-Spink and Bell has long been bandied about as the only British advertising agency likely to join Saatchi and Saatchi in the international arena. Wight Collins Rutherford Scott may have stolen some of the limelight in recent months but with this set of results, containing Marschalk's first contribution, Lowe has shown itself to be a worthy contender. That said, Lowe clearly has a great deal of work to do to bring Marschalk's margins up to anything like the levels of its own core agency. Similarly there are obvious gaps in Marschalk's European network, which will take time, trouble, and capital to fill. In the UK although the Take-over Panel dealt a bitter blow to the London agency by scuppering its lucrative bid advertising, the alliances formed during bid battles have stood the agency in good stead, not least Guinness which has thrown Bell's Scotch Whisky and the international review of its advertising accounts in its direction after the Diestler take-over. The City expects profits of £8.6m for the full year producing a prospective p/e of 17 on the share price which rose by 5p to 400p yesterday.

Acquisitions aid Dwek recovery

Aided by acquisitions, Dwek Group, the plastics, houseware and furniture components manufacturer, continued its recovery in the first half of 1986, reporting pre-tax profits of £511,000 compared with £103,000 at the halfway stage last year. Mr Maurice Dwek, chairman, said this was in line with the group's expectations.

The profit was achieved on a turnover up from £7.77m to £10.31m. In view of the group's continuing successful trading, Mr Dwek said that it has been decided to resume paying dividends and there is an interim of 1.5p per 10p ordinary share — the last dividend was a single 0.245p payment in respect of 1981.

The 1986 figures include the results of two acquisitions, QA Furniture and Lewing, the sports and leisure wear manufacturer from the beginning of March. In February of this year Dwek also acquired Benjamin Kay's pre-heatcuring vinyl and cotton nylon distribution division. These purchases have widened the group's operating areas.

Blackwood Hodge hits target with 24% rise

Blackwood Hodge, the earth-moving and mining equipment supplier, has confirmed the first-half 1986 profit estimates made in July, at the time of its £12.8m rights issue.

As expected, pre-tax profits were up 24 per cent from £2.19m to £2.72m. On turnover this changed at £102.55m (£103.63m), operating profits fell from £5.91m to £5.3m.

However, comparison of these figures was affected by the stronger pound related to currencies of countries in which the group operates. At constant exchange rates, turnover and operating profits showed increases of 16 per cent and 9 per cent respectively.

Earnings per 25p share

showed the predicted 18 per cent rise to 1.6p (1.36p), while the company is making the forecast return to the dividend list — the last payment was in 1982 — with an interim of 0.5p net.

Blackwood also reaffirms its intention to pay a final of 0.5p. Shares issued pursuant to the rights issue will not rank for the interim dividend.

Sterling has continued to strengthen against the currencies of certain countries in which the group has significant investment, particularly Australia, Africa and Canada. Even though the rate of appreciation was less than previously expected, shareholders' funds were reduced by £1.3m to £26.6m during the period, despite retained profits of £1.4m.

Alphameric to seek full listing

Alphameric, computer terminal keyboard maker and system designer, announced at its annual meeting yesterday that it plans to seek a full listing on the Stock Exchange.

The company has seen strong profits growth since its USM flotation in 1984 helped by demand for dealing systems in preparation for the Big Bang.

The ordinary shares in the company are expected to be admitted to the official list on September 12, with dealings commencing on September 15. In the year to end-March, taxable profits rose by more

than 62 per cent from £1.81m to £2.93m on turnover of £12.58m (£8.72m). Mr Douglas Craig-Wood, the chairman, said that in the five months to August 31 all three divisions had traded strongly.

The keyboard order book stood at a record £3.2m. Orders from the Cheltenham and Gloucester Building Society, British Telecom and the Stock Exchange brought terminal orders to £2m and orders for dealing room systems stood at £3.3m.

Alphameric expects demand for dealing room systems to continue after the Big Bang

Polypipe surges 63% and goes for full listing

WITH strong growth in all sectors pushing the year's pre-tax profits up 63 per cent, from sales up 8.5 per cent, Polypipe, which entered the USM in July 1985, intends to apply for a full Stock Exchange listing in the last week of September.

Second half pre-tax profits of this manufacturer of plastic fittings, based in Doncaster, South Yorkshire, surged from £221,000 to £1.33m and pushed the full year's figure ended June 30 1986 to £2.2m, compared with £1.35m. Turnover expanded from £11.79m to £16.33m.

Mr Kevin McDonald, chairman, said the current year had begun well.

After year-end tax charge of \$370,000, against \$540,000, earnings per 10p share were given as 4.02p (4.02p). The dividend total is in effect 1.65p, with a 1.1p final.

The directors pointed out that efficient management of cash and stocks and the new money raised at the time of flotation, had significantly improved group gearing from 68.5 per cent at June 30 1985 to 14.6 per cent at June 30 1986. Mr McDonald stated that while strong growth was achieved in all product sectors, the group's new product range of Underground Drainage systems contributed significantly to group results.

BOARD MEETINGS

TODAY	DATE
Investment-APV, Associated British Ports, Avon, BCC, ETR, Boddleys, British Aerospace, Costain, ORG, Eads, Escopus Clothes, Harting, London United Investments, Lyon and Lyon, Mardin and Pascoe, Picom, Prudential, Systems Reliability, Toverner, Rutledge.	Sept 15
Finance-Control and Sharewood, Inceon, Sigmas International, Sirof, Star Computer.	Sept 16
Amari	Sept 20
Andler	Sept 22
Satellite Gifford Technology	Sept 24
Beston Clerk	Sept 25
Benlox	Sept 27
Belec	Sept 24
Bromley	Sept 15
British Channel Ship Repairs	Sept 17
Brown Boveri Kent	Sept 25
Edinburgh Financial Trust	Sept 11
Enterprise Oil	Sept 19
Howker Siddley	Sept 22
Macro A	Sept 18
Mors O'Ferrall	Sept 18
Pinrod	Sept 15
Scottish Heritage Trust	Sept 17
Yala Cato	Sept 16
Finance	Sept 15
Abaco Investments	Sept 15
Osborn	Sept 22
Hogges (London)	Sept 15
Hampden Homecare	Sept 18
London Securities	Sept 15
Memory Computers	Sept 11

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General Motors Acceptance Corporation

(Incorporated in the State of New York, United States of America)

Yen 60,000,000,000

5 1/2 per cent. Notes due September 18, 1991

The following have agreed to subscribe for the Notes:-

Nomura International Limited

Mitsubishi Trust International Limited Sumitomo Trust International Limited
First Interstate Capital Markets Limited

Algemene Bank Nederland N.V. BankAmerica Capital Markets Group

Bank of Tokyo International Limited Bankers Trust International Limited

Banque Bruxelles Lambert S.A. Banque Internationale à Luxembourg S.A.

Chase Investment Bank Chemical Bank International Limited

CIBC Limited Cosmo Securities Europe Limited

Dai-ichi Kangyo International Limited Daiwa Europe Limited

DSL Bank IBJ International Limited
Deutsche Siedlungs- und Ländersbank

Kidder, Peabody International Limited KOKUSAI Europe Limited

LTCB International Limited Mitsui Trust International Limited

Nippon Credit International Limited Prudential-Bache Securities International

Société Générale Swiss Volksbank

Tokai International Limited Yasuda Trust Europe Limited

Application has been made to the Council of The Stock Exchange for the Notes to be admitted to the Official List. The Notes will be issued in bearer form in the denominations of Yen 1,000,000 and Yen 10,000,000 each, with an issue price of 101 1/2 per cent. The Notes will bear interest from 18th September, 1986 at the rate of 5 1/2 per cent. per annum payable annually in arrears on 18th September in each year, the first such payment to be on 18th September, 1987.

Listing particulars relating to General Motors Acceptance Corporation and the Notes are available in the Eriel Statistical Service and copies may be obtained during usual business hours up to and including 12th September, 1986 from the Company Announcements Office of The Stock Exchange and up to and including 24th September, 1986 from:-

Nomura International Limited,
Nomura House,
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FINANCIAL TIMES SURVEY

Wednesday September 10 1986

CHEMICALS and Biochemicals

A period of sustained profits is expected after a hectic cycle of trauma and recovery. The promise of biochemicals is yet to be realised.

Planning for longer term

By Tony Jackson
Chemicals Correspondent

THE CHEMICALS industry is at an intriguing phase in its development. It has come through a very hectic period in the past half dozen years—the slump in 1980, the years of trauma and closure, then the cyclical recovery of 1984 and 1985 when ICI, for instance, became the first British non-oil company to make \$1bn in pre-tax profits.

Now, it seems clear, the cyclical peak has passed. The downturn, though, will be nothing like the last one. Aided significantly by the collapse in the oil price, the industry can look forward to a couple of years in which profits could be more or less sustained.

It is a good time for pausing and taking stock, and planning for the longer term. One debate in particular seems to have cooled down. The big chemical companies, shocked by their appalling losses in commodity petrochemicals in the early 1980s, for some time thought only of getting out, and putting all their money into speciality chemicals.

For an industry which had always prided itself in conducting its operations on a massive scale, small it seemed, was suddenly beautiful.

It was never remotely possible for a whole industry to force itself simultaneously up-market. Speciality chemicals, however defined, are not a big enough area to absorb the huge sums of capital which the industry deploys.

As the industry came to terms with that fact, it was simultaneously apparent that the crisis was dying down anyway. Most commodities, with certain exceptions in petrochemicals such as PVC, were once again generating substantial amounts of cash, if not always profit. Then, at the start of this year, came the oil price collapse and the halving of the naphtha price, and the petrochemical producers, scarcely able to believe their luck, found themselves enjoying their best profit margins since the good-days of the 1970s.

As a result—and despite the fact that over-capacity still exists in several areas of European petrochemicals—some companies have been back on the expansion trail.

BP and Atchem, for instance, announced in May that they were to join forces in polypropylene, and increase capacity by around 50 per cent. BP is also talking about a new plant for linear low density polyethylene in Scotland, though

this would probably be matched by closure of older capacity. This is a marked reversal from a couple of years ago, when petrochemical executives, traumatised by the billions of dollars lost by the European industry in the early 1980s, shook their heads over the prospect of the industry passing into the hands of developing countries such as Saudi Arabia.

On this prospect Britain in particular was to achieve Third World status, exporting its crude oil and buying it back when value had been added somewhere else.

Though this was clearly an over-reaction, the truth lies somewhere in the middle. In polypropylene, for instance, growth remains unusually strong. But according to impartial observers, polypropylene makers in Europe early this year were making an average return on capital, before depreciation and interest, of just 13 per cent. That is scarcely a figure to justify new investment.

But, perhaps these investments are examples of longer-term strategic thinking, born of more relaxed conditions in the second half of the 1980s. No other argument, certainly, would account for the £80m and £60m being spent by Norsk Hydro and ICI respectively on new nitrogenous fertiliser plants in the UK.

The crisis in world agriculture means that a lot of money is being lost in that business at present. But, the companies explain, the last big burst of investment in the UK fertiliser industry was over 20

years ago, and the time has come to modernise or get out.

As part of that longer-term thinking, the industry has lately been going through a remarkable series of swaps and deals across Europe. ICI and Enichem have got together on PVC; BASF has bought Monsanto's UK acrylonitrile business; BP is talking about buying Bayer's low-density polyethylene capacity; and so on.

Companies across Europe have been thinking hard about strategy, and the cards are being shuffled and re-dealt accordingly.

Away from the drama of petrochemicals, there is some very good money being made quietly in the field of inorganic chemicals where exciting, and organic chemicals were boring. Then came the revolution in plastics, and inorganics got left behind. Perhaps they're catching up again.

One set of companies that would certainly agree to that are the makers of titanium dioxide, the white powder used as a pigment in paint. Somehow or other producers have allowed capacity to fall below the level of demand, with remarkable effects on profitability.

In the UK, the price has risen by a third over the past 18 months, much to the consternation of the paint manufacturers. Du Pont, the world's biggest manufacturer, says that titanium dioxide is now the biggest profit-maker in its entire chemicals portfolio.

Another company proving inorganics to be a very useful corner is the UK's Cookson Group, which is in the

happy position of being joint owner (with ICI) of Tioxide, the world's second biggest titanium dioxide producer, has seen its profit race ahead in the past three years.

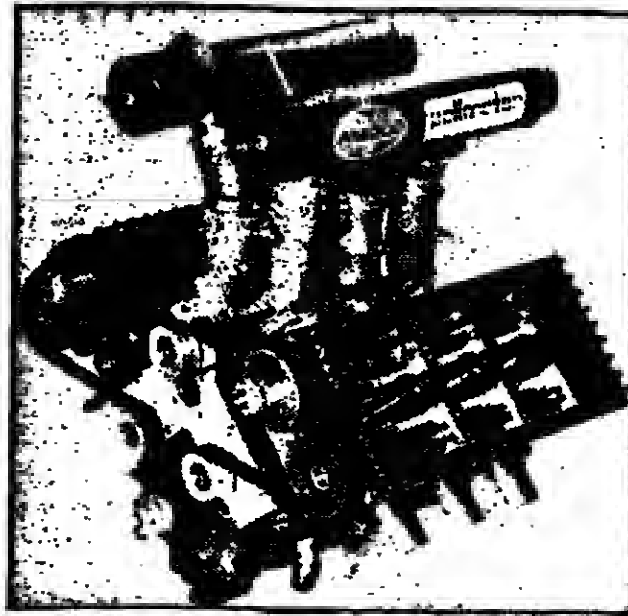
This has been based not only on titanium dioxide, but also on a collection of other inorganic products such as antimony oxide, zircon opacifiers and electronic solders.

But that brings us back to the question of speciality chemicals. The big companies, while feeling more relaxed about their commodity portfolios than they were, are still on the hunt for ways of moving into areas of higher added value.

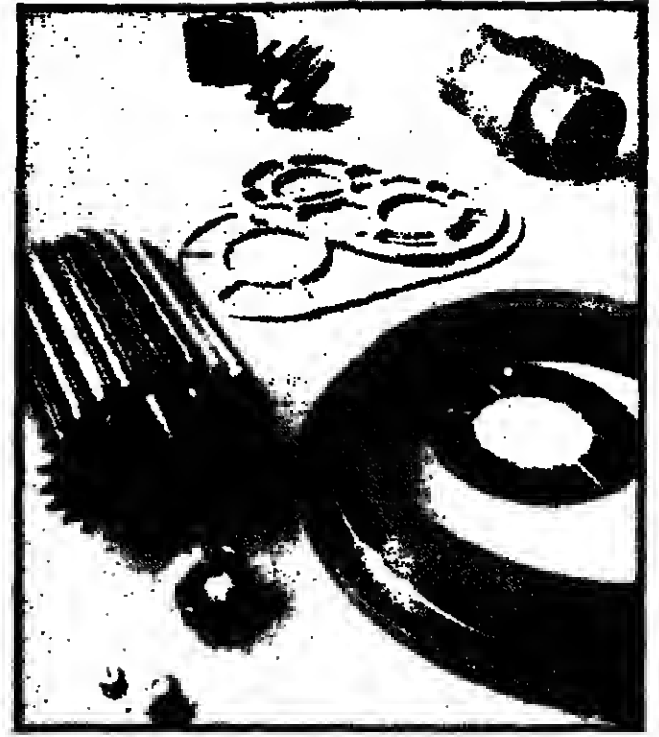
There are some snags here. A company like Cookson relies a good deal on specialised marketing, and also on the fact that many of its products are so small and out-of-the-way that competitors are unaware of the high returns they offer (which is one good reason why the returns stay high).

A big company can have difficulty in finding these niches, and if it takes the easy route of buying a job lot by acquisition—as ICI did with Beatrice Chemical in the US in 1984—there can be serious problems of corporate culture.

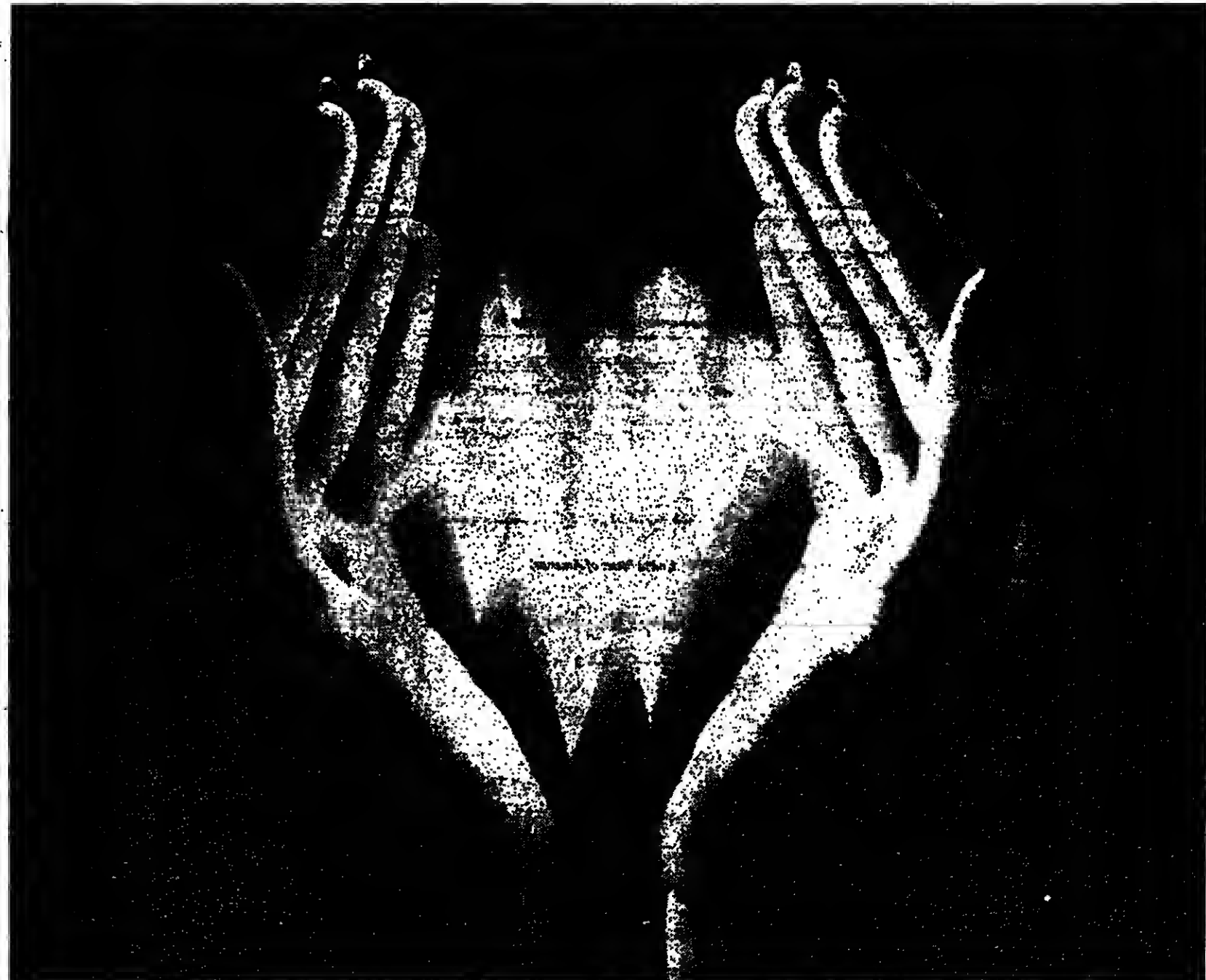
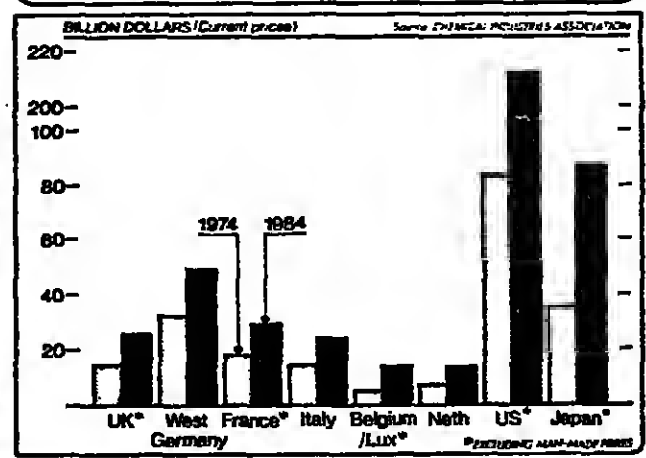
It is all too easy for small, entrepreneurial companies to be stifled by the bureaucratic procedures of a big multinational. The alternative route is to move further into bigger but still specialised markets such as agrochemicals and pharmaceuticals. A number of US



Above: The Amoco-Pollimotor V-6 turbo "plastic" racing engine. This 2.65-litre power plant, weighing only 202 lbs, includes many parts made from Torlon, Amoco's high-performance thermoplastic. Right: Precision parts made from Du Pont's Vespel



International Chemical Sales



As the chairmen see it



“... While some elements of the chemical industry are maturing, many opportunities exist for new businesses based on the chemical sciences and engineering—fields of our strength. Moreover, despite the decline in oil prices, many profitable opportunities continue to be discovered in our energy business.

“Du Pont has outgrown the traditional definition of the chemical industry, and with excellent financial resources we are funding growth in new areas while at the same time investing in capital programmes to enhance the worldwide competitiveness of existing businesses.

“We enter the second half of the 1980s a strong company with confidence in the future.”
Edward G. Jefferson,
chairman of Du Pont.
Annual report, February 1986.

“... Looking forward, we are confident we can maintain the momentum of our strategic objectives, by operating our more mature businesses at maximum efficiency and ensuring strong market positions; by sustaining our growth businesses through innovation and territorial expansion; and by building new businesses.

“I have no doubt that, within the context of safe and environmentally acceptable operations, the foundation for profits in modern business has to be science and technology, innovation, international marketing, adaptability and excellent people...”

“We can be confident of sustaining and improving our position as one of the world's most innovative and successful chemical companies.”
Sir John Harvey-Jones,
chairman of ICI.
Annual Report, March 1986

“... We start from a position of considerable financial strength—apparent in our balance sheet and profit and loss account, and also in our dividend record. But we face the consequence of the unprecedented fall in oil prices which has occurred since the beginning of 1986.

“Our financial strength does, first and foremost, allow us to weather the storm of lower prices without drastically altering our strategy for the future. This strategy is to continue to grow, both from within and by selective acquisition, in our areas of proven strength and success.

“I am firmly convinced that these existing business areas offer more than enough scope for us to achieve corporate renewal and growth.”
Sir Peter Walters,
chairman of British Petroleum.
Annual Report, March 1986

A glimpse of the future from a company that's already working there.

ICI in food production.

Imagine an electrostatically-charged pesticide that homes in on the crop being treated, cutting spray volumes by over 90%—a real boon for the third world.

Imagine a chemical that actually regulates the rate at which plants grow and produces substantial yield benefits for growers.

ICI spends over £1 million each week discovering, developing and testing new products for use by tomorrow's farmers.

ICI in medicine.

Imagine an injectable general anaesthetic so versatile it can last for hours or minutes, with recovery so swift and sure, people can be in and out of hospital in a day.

Imagine a precision-made molecule that's revolutionised the treatment of heart disease.

These are just two examples of our huge investment in pharmaceutical research which has resulted in no fewer than 10 ICI products being placed on the World Health Organisation's list of essential drugs.

ICI in industry.

Imagine plastics so advanced, they can directly replace metal components in car engines—and transform engine efficiency in the process.

Imagine a material lighter than aluminium but strong enough to be used as fairings for the engine struts on a Boeing 757.

Advanced materials from ICI are being used increasingly in the automotive and aeronautics industries.

ICI in the High Street.

Imagine a solid paint that spreads like a liquid but without the drips and spills.

Imagine a fibre so versatile that it's used in delicate high flying fashion and for the production of aircraft tyres.

ICI is a major supplier of paints and fibres in Britain, Europe and around the world.

These are just a few of the 14,000 products produced by ICI in a total of 40 countries and sold throughout the world.

ICI is already hard at work anticipating the needs of the future. And producing products of the future, for the customers of the future.



The right chemistry—worldwide.

Chemicals and biochemicals 2

Plastics

Strong demand for food packaging

EXECUTIVES IN the petrochemical business ruefully recall the scene in the film *The Graduate* in which Dustin Hoffman, as a young man worried about his future, is given a one-word piece of advice by a friend of his father's: "Plastics."

Back in 1969 the advice, to a young audience, sounded so humdrum as to be laughable. As it happens, it was also on the point of becoming seriously out of date.

Although most of the important bulk plastics — PVC, polyethylene and the like — had been invented in the 1920s and 1930s, the market did not really take off until the 1950s. There was an orgy of substitution of plastics for all the traditional materials — wood, metal, glass.

Throughout the 1960s and 1970s growth was phenomenal — 90 per cent in a good year, 10 per cent in a bad one.

After the first oil shock in 1973, growth slipped to under 10 per cent at best. Now, after the second oil shock in 1979, the best that can be expected on average is about 1 per cent above GDP growth, or 3 to 4 per cent in total.

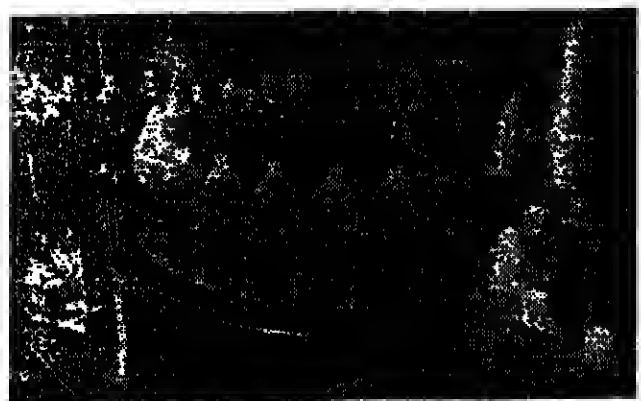
This ought to mean that the slump in the oil price this year will improve growth rates. But it is open to question how far the slowdown was due to oil price rises in the first place.

Although plastics use oil as a feedstock, they take relatively little energy to fabricate. ICI has calculated that to make 1m 1-litre bottles of PVC takes 68 tonnes of oil in feedstock and energy, but to make the same tonnage of glass, allowing for the energy costs of extraction as well as manufacture, takes 230 tonnes.

To make 100 km of 4-inch drainage pipe from PVC takes 275 tonnes of oil, and from cast iron, 1,970 tonnes.

The real trouble is that bulk plastics are old-fashioned. The growth years relied heavily on substitution, and with few exceptions that process has run its course.

It is worth noting that polypropylene, introduced a couple of decades after the earliest polymers, still grows faster than they do, and that the most recent bulk polymer, PET (polyethylene terephthalate) — introduced to Europe as late as the early 1960s — is still growing at 20 per cent a year. Quite like the old days, in fact, oil shocks or no.



PET bottles stream off the production line

PET is making its inroads in the field of packaging, being substituted for glass, aluminium and board in bottles, cans and food containers. It is to the packaging industry that plastics manufacturers look as the main source of growth in the near term.

In Britain, the process of substitution in packaging is particularly marked at present, and for a reason which is not immediately obvious — the growth in market share of the big multiple grocers like Sainsbury and Tesco.

Food manufacturers are by nature fairly conservative. New food products in recent years have very often been thought of by retailers such as Marks and Spencer. The innovative fair of the retailers also extends to new forms of packaging, and since the late 1970s they have been in a position to impose their ideas on their suppliers, whether they like it or not.

The resulting very rapid pace of change in packaging materials has been an excellent opportunity for the polymer makers.

The packaging companies who are their immediate customers may have a thinner time of it, because of the power of the retailers to squeeze out finer terms, but plastics processing is a fragmented industry, and it is hard for processors to pass the pressure on to the chemical giants.

Thus, for instance, there are recurring rumours in the packaging trade that one or other of the PET bottle makers may be about to go under. The growth opportunity for the processors has been such that market capacity is persistently

ahead of itself. Until now that has not been true of the polymer suppliers. ICI, with over 50 per cent of the European market for PET, has found it a very profitable business, and plans to step up capacity by close on 100 per cent in the next two years.

However, Eastman Kodak, the world's biggest PET producer, is about to muscle in on the European market. Plans were announced in July to put in a 50,000 tonne a year plant in Cumbria — about the same size as the capacity increase planned by ICI. Both companies claim that market growth will absorb this easily, but there could be sticky times ahead.

Most executives reckon that packaging will be the main source for growth only in the short term — say, the next three to five years. Further on, the real growth target is the motor industry.

This is a more formidable prospect for the industry, if only because making cars is in engineering terms rather trickier than making lemonade bottles. But it is generally expected that polymers will make significant headway in the next five to ten years, if only in the form of polyurethanes and polyester glass fibre.

Fairly this is because plastics are lighter and therefore help fuel consumption — though the lower the oil price, the less this matters. There is also the important consideration that while a specialised engineering plastic may cost much more, pound for pound, than steel or aluminium, it is often much cheaper to fabricate.

However, some motor manufacturers sound a note of

Dr Wolfgang Habel, chairman of the West German car maker Audi, addressed chemical executives on the topic in these terms in London late last year:

Do not expect us, he said, to pay for innovation. "If one of my engineers brings me a new steering wheel which is lighter and looks better but costs DM 20 more, I will send him back to find something with the same characteristics at no extra cost."

Again, he said, new plastics used in car manufacture would have to be recyclable — a problem which also crops up in packaging, particularly in Germany, where PET bottles have yet to make headway because of environmental objections. In the case of composite materials likely to be used for cars, recycling is particularly awkward.

And, above all, Dr Habel said, new plastics had to be reliable even when cheap and suitable for mass production. The industry, he clearly implied, was not really at that stage — and since one eighth of the Audi 100's body weight is now plastic, his view must be taken seriously.

It seems certain, though, that these are problems which will eventually be overcome. The principle of light, strong materials is as firmly established for cars as for aerospace — though in the latter case where lightness is more important again, there is already use of highly sophisticated advanced composite materials which cannot yet be justified in the volume car market.

By comparison with the block-busting years of the 1950s and 1960s, though, the era of true high-volume innovation seems to be over.

There are still many things to be done in the field of composites — combining existing polymers with organic materials to give combined strength and lightness.

And in the field of polymer innovation, there are the super-high-performance thermoplastics like ICI's Vectrex and General Electric's Utem — materials with extraordinary properties and prices to match, never likely to be produced in volume.

But for volume plastics it has been a remarkable run — and there are now plenty of other things for the industry to turn its mind to.

Tony Jackson



Top: The French Rafale (left) and British EAP prototype fighters incorporate extensive lightweight high-performance polymers. Above: High-speed injection moulding of containers for food products

High-Performance polymers

Boundaries being stretched further

FOR THE chemical industry, the worst part of the slump in the early 1980s was the huge losses incurred in bulk commodity plastics, which has made the industry turn its attention even more to developing polymers with high added value, higher prices and less vulnerability to the chemical cycle.

Broadly speaking, the polymer market can be split into three categories. First are the bulk polymers, which make up 90 per cent of the market by volume, cost up to £500 per cent a year and cost between £300 and £1,000 a tonne.

Right at the top end come high performance polymers proper. These make up about 1 per cent of the market, are growing at between 15 per cent and 25 per cent, and range in price from \$4,000 to \$40,000 a tonne.

For the company which wants high added value, this is probably the place to be. Those now involved include: Du Pont, with PTFE (polytetrafluoroethylene, better known as Teflon, used for non-stick frying pans); Phillips Petroleum, with PPS (polyphenylene sulphide, with the brand name Kytan); Amoco, with PS (polysulfone, brand name Udel); General Electric of the US, with PEI (polyether imide, brand name Utem); and ICI, with PES (polyether sulphone brand name Citect) and PEK (polyether-ether-ketone, also called Vectrex).

Few of these materials are new in the strict sense. PTFE, of Teflon, has been around for 40 years, and PS and PES were invented in the early 1960s. But, says one executive, "they offered amazing characteristics, but they all had some drawback or other about them."

And, above all, there wasn't the pull from the market. That's the history of the plastics industry — some products, acrylic sheet for example, take off immediately, and others like linear low-density polyethylene have to wait around for 30 years.

Now, it seems there are two different pulls from the market for performance polymers. First, materials and engines tend to get worked harder, and to get hotter. Second, new technologies, miniaturisation especially, creates new problems.

Axiomatically, miniaturisation of an electrical part means heat, since the same amount of current is going through a smaller space. This is where a plastic such as ICI's PEK comes in handy, since it withstands temperatures of 280 deg C.

But the new polymers are not merely heat resistant, they are also remarkably strong. "The chemical executive puts it: 'The plastics we remember as kids in the Hong Kong toys we got for Christmas were used not in a mechanical sense at all, but as space fillers. When commodity thermoplastics like PVC and polyethylene are used for things like washing-up bowls, they're basically non-structural.'"

The engineering plastics such as nylon represented the next stage. By incorporating other materials such as glass, a pro-

duct resulted which could be engineered. The housing for a power drill will now be made of glass-filled nylon, as will the cogs in a wind-up toy (which 20 years ago would have been of metal).

But, says the executive, "that's a junior engineering material. Glass fibre doesn't have high heat performance, and it's not all that strong."

It is, however, cheap — unlike the high-performance polymers. But the target markets for the new polymers are those where performance is paramount, and price is secondary. "Telecommunications, artificial intelligence, the military," says a British manager, "whoever stretches the boundary further, producing a faster computer or a better" weapon, has the advantage.

Performance has to be measured in a lot of ways: not just strength and heat resistance, but fatigue performance, resistance to impact and friction, dimensional stability (for instance in printed circuit boards for computers, which must not expand as they heat up) and resistance to chemical corrosion (such as a gear selector which is working in the hot oil of a gearbox).

In complex design applications, thermoplastics can have inherent advantages over metals. The trick is to design a plastic which retains its properties right up to a given temperature, then goes liquid.

If it can thus be used, for instance, in injection moulding, it can work out cheaper than brass or aluminium, which costs much less intrinsically but may have to be machined.

The next step for these polymers is to be incorporated in advanced composites, the horrendously expensive materials used to make space shuttles and state-of-the-art jet fighters. Advanced composites are like fibre glass, except that instead of glass they use high

performance carbon or aramid fibres, and instead of polypropylene they use more sophisticated thermosetting resins.

ICI and the rest are working on adapting their high-performance thermoplastics to take the place of thermosets. The technology is not ready yet. As ICI puts it, whereas impregnating carbon fibre with a thermoset is like spreading a spoonful of syrup over a table top, doing the same with an advanced thermoplastic is more like covering the table top with a piece of chewing gum.

But though thermoplastics are harder to work with, they are bound to make it to the market eventually. In a sense, the move represents "history repeating itself at a higher level — in the 1980s, plastics started out with Bakelite, which is a thermosetting plastic, and moved to

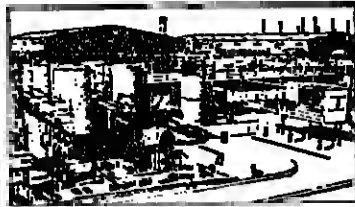
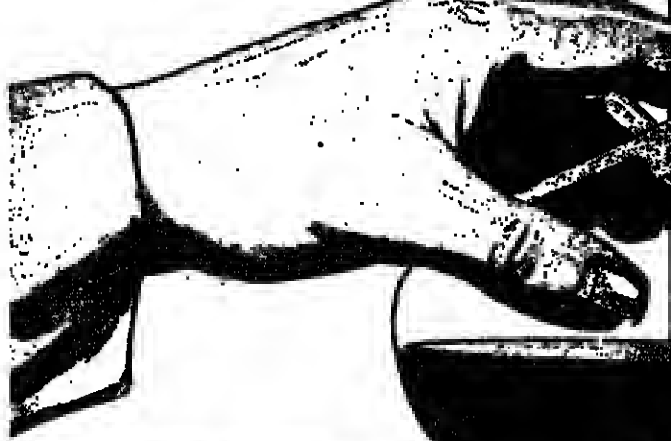
thermoplastics in the 1920s. Thermoplastic composites will not push out thermosets — rather, move in at the top end of the market, where money really is no object. Significantly, research into thermoplastic composites has received massive expenditure from the US space and aerospace establishment over the past ten years.

It cannot be expected that the new polymers will achieve the volume sales of commodity plastics. But then, that is precisely not the point.

As one chemical company chairman puts it, commenting on the closure of one of his huge, 100-year-old plants, "I don't need volume. Give me the right product, and I can make the same profit from a plant the size of this office."

Tony Jackson

Creative Chemistry



In terms of the future, technology has never been more important. In terms of technology, the same goes for chemistry.

Without creative chemistry, in fact, many of the most significant recent advances in science, medicine and engineering would scarcely exist.

Take semi-conductors, for example. To produce them efficiently requires chemicals of quite extraordinary purity. Take low temperature washing powders, using purpose-made bleaching technology. Or lead-free petrol, increasingly refined with the aid of zeolites.

Boron compounds greatly extend the life of railway sleepers. Flame retardants keep timber structures safe as houses. Chemical intermediates are vital to a wide range of pharmaceuticals. Special oxidising agents make metal polishing a pleasure instead of a sweat.

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Chemicals and biochemicals 3

New directions

Long search for breakthroughs

A DRAMATIC shift in the perceptions of the big chemical groups has occurred in the last few years, with growing interest in trading in kilogram quantities which once they were content to leave to smaller companies specialising in fragrances, additives and other highly priced products.

Among the main factors compelling this change is a need to develop new markets to replace some of the flagging markets for tonnage chemicals, and the huge inventories of unexploited new compounds assembled by companies in their searches for new biologically-active products such as pesticides, herbicides and pharmaceuticals.

These inventories and the associated synthetic and manipulative skills, it is now widely recognised, can be redirected profitably to solving chemical technology problems for such fast-advancing industries as electronics, composite materials, instrumentation and seeds.

ICI examined the seed industry as long ago as the early 1970s as a possible diversification for its agro-chemical activities, but concluded that it had nothing to offer scientifically to give it a commercial edge in this well-rooted speciality.

By the early 1980s the picture was very different. ICI, collaborating closely with universities, had developed its skills in molecular biology and the plant sciences to a point where the board was persuaded last year to create a new research-based company, International Seed Business, reporting directly to Mr Denis Henderson, chairman-designate.

It has also approved a £17m investment in new research facilities in Britain and North America, and a £10m-a-year research budget for the next 10 to 15 years, "to come up with

something big," says Dr Ed Dart.

Dr Dart, who built up ICI life-sciences skills at its corporate research centre, is research director of the new company. The goal, he says, is something as big as paraquat, the herbicide ICI introduced in 1982, which is estimated to earn over \$40m a year.

But ICI is also using acquisition to enter the seed industry rapidly. Last year it bought the Great Seed Company in Ohio, with \$100m annual sales. In Europe it plans a similar purchase, but failed in its initial attempt when the Swedes refused to sell Carbo.

Some measure of how widely the industry is being infected with enthusiasm for plant science developments can be gained from the "club" of 11 UK-based food-related companies assembled by the government biotechnologists to back a £2m research programme aiming to design a "cheat" that will permit them to manipulate the crops of their own choice. They include Royal Dutch/Shell, Unilever, Ciba-Geigy and ICI, as well as several new biotechnology companies.

Each company contributes £50,000 a year to the three-year programme with the Government matching their investment. The research being done in four leading UK academic laboratories in plant sciences with the support of about 40 scientists — an estimated 70 per cent of the national expertise in the speciality.

In his presidential address to the Royal Society of Chemistry's annual conference in April, Prof Richard Norman, chief scientific adviser to the Ministry of Defence, highlighted the growing importance of novel materials born of

sophisticated chemistry, which have so much to offer engineering development across a wide front.

Prof Norman drew examples from electronic materials such as gallium arsenide, from engineering ceramics such as silicon nitride, and from composite materials. Some forecasts suggest these new materials will add up to a world market as big as the oil industry in a few years' time.

British Petroleum sees a big future for plastics, ceramics and composites which will displace metals for a wide spectrum of engineering, from road transport to aerospace. One of its most striking demonstrations shows how a composite can replace an innovation which previously could not be counteracted because of the risks associated with using metal.

The innovation is the energy-storing flywheel, which stores the kinetic energy released in braking a vehicle, so that it can be recalled without further fuel cost. Earlier attempts to exploit the idea used flywheels of steel, which because of the speed at which they must run presented an unacceptable hazard in, say, a bus or a car.

BP's kinetic energy storage system (KESS) uses a flywheel wound from a continuous band of fibre-reinforced polymer, spinning at up to 18,000 rev/min. If a steel flywheel failed at this speed it could burst like a bomb, but KESS at worst simply slows down. BP engineers at its Sunbury research centre have run a bus on KESS at up to 22 miles an hour.

ICI has already set up an advanced composite materials business based on high-strength carbon fibre, aimed particularly at the aerospace industry, and at the big US market.

At Welwyn it has been developing new high-duty com-

binations of fibre and matrix polymer, together with the technology needed to fashion these composites into shapes that maximise the benefits of their asymmetric physical properties and minimise the weaknesses.

The tough thermoplastic composites are the result of close co-operation between ICI's petrochemicals and polymers division and its new science group at Runcorn. The market is exclusively in high-performance composites, not commodities. The big one is aerospace, which talks of making half an aircraft from such materials in the mid-1990s.

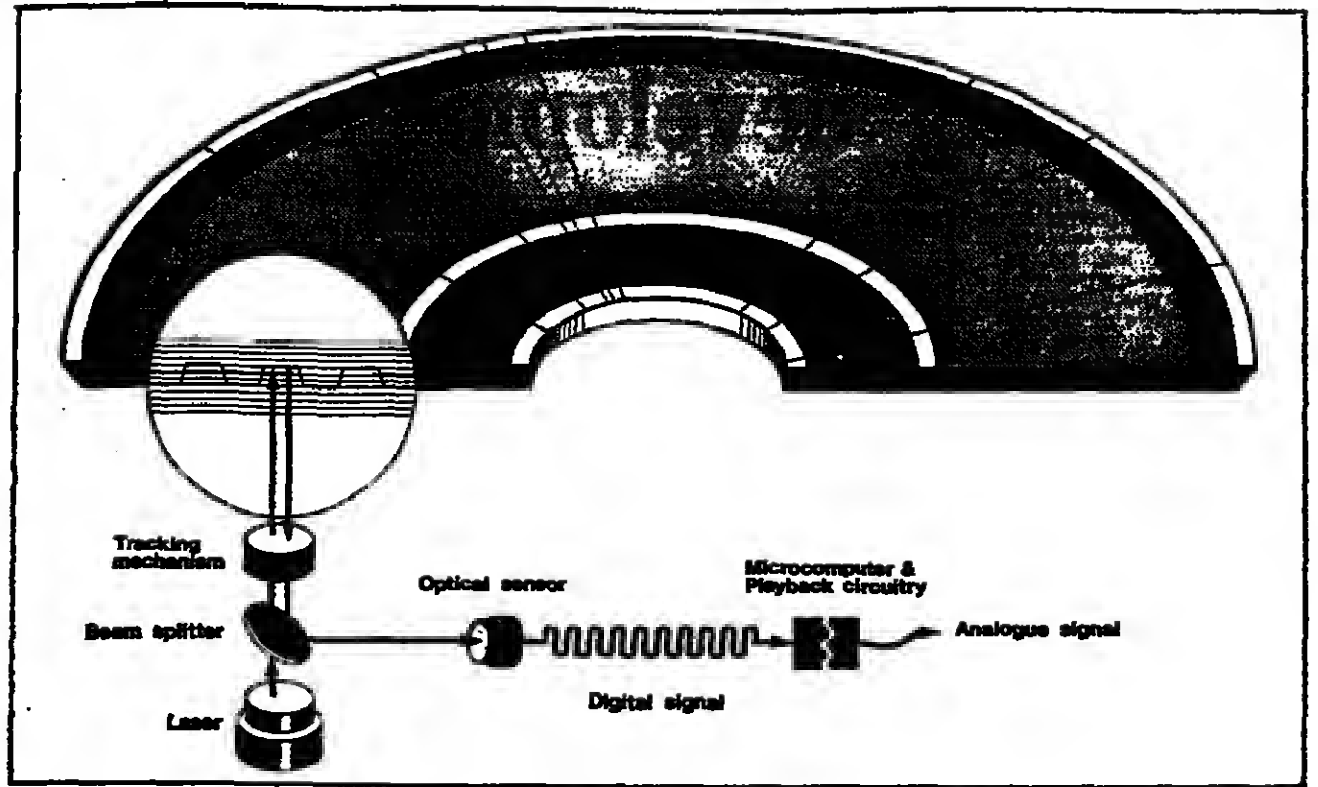
BP has used its skills with polymers to invent a new group of compounds with specialised, high-value uses. It began with the search for a novel way of cleaning oil from the beach.

BP's chemists discovered a way of turning a coating of crude oil into a liquid rubber called maleinised polybutadiene, then cross-linking this rubber into a solid—all at ambient temperature on a beach. They then had a flexible mat of rubber which could be rolled up like a carpet, carrying with it much of the detritus which normally covers a beach.

The chemists soon began to see other uses for Rigidoll, as BP called it. One is to seal the top of oil storage tanks, to reduce the risk of fire. Another is to take impressions of welds in offshore structures, for examination in the laboratory.

In this way divers can bring back faithful recordings of any evidence of weakness such as a hairline crack. Enthusiastic BP chemists talk of as many as ten different Rigidoll products on the market by 1988.

David Fishlock



Joint project on compact disc

DU PONT has joined forces with N. V. Philips of the Netherlands to supply the compact disc, the latest development in recording to reach the domestic market. The compact disc (CD) is a robust disc of polycarbonate or acrylic polymer, etched with a laser beam to record sound or visual images as a series of "pits" corresponding to digital information.

An audio disc is only 12 cm in diameter, a video disc only 35 cm. Still more significantly, reproduction is free from the "noise" of a needle traversing a groove. The CD is read by a laser beam focused on the pits to

recall the digital data which they contain.

A microcomputer in the CD player generates an analogue signal from this data to drive the loudspeaker or TV screen, as the diagram indicates.

The moulded plastic disc is etched by laser to produce a continuous spiral of digital data. This side of the disc is then thinly coated with aluminium to produce a highly reflecting surface, protected by a transparent plastic coating.

The player also uses a laser, which replaces the needle in a conventional player. A needle of light follows the spiral of pits, "reading" its

data into a micro-processor which reconverts it into analogue signals.

According to Du Pont, the joint venture with Philips represents the biggest in its history outside the energy sector. The two groups plan to support the joint venture with a \$60m-a-year research and development budget by 1990, to maintain what they believe to be their technological leadership with the CD.

Included in the venture are Philips' Polygram recording subsidiary's factory at Hannover in West Germany, claimed to be the biggest CD manufacturing capability in the world. A factory at Black-

burn, Lancashire, and another at Eindhoven, in the Netherlands, also join the new venture.

Du Pont is donating its optical disc factory near Wilmington, Delaware, and its associated research base.

Alfred Bok, chief executive of the joint venture, is quoted as saying that its goal is to be the CD producer of highest quality and lowest cost. Its most severe competition threatens to come from developments in Japan of a compact tape recording which—unlike the CD—can be wiped clean and re-recorded.

David Fishlock

Biotechnology investments (Unquoted shares)

Source	Proposals received	%	Investments made	%
US	280	69.5	26	78.3
UK	88	21.5	8	21.4
Europe (excluding UK)	18	4.5	3	8.1
Other countries	17	4.2	—	—
TOTAL	403	100.0	37	100.0

Source: 1986 annual report of Biotechnology Investments.

Left: Lord Rothschild. He believes that the potential for applying biotechnology to many industries is enormous but the major impact "is still some years away"

New bioproducts

Shift to develop smaller markets

NO ONE except the investor who sought quick returns from biotechnology should be disappointed by the pace at which the new inventions of genetic engineering are reaching the marketplace. It is only to be expected that there could be no way of bucking a regulatory system which the public demanded should be tighter rather than looser about the safety of new drugs.

Moreover, previous experience in the 1960s and early 1970s had already taught industry that industrial microbiology, however advanced, was a slow, costly and often frustrating process — one which could be done better and more cheaply by other means.

In spite of this, several products of the new biotechnology born of the science of molecular biology have reached the market. If there is any cause for disappointment, it must be that these innovations have not yet produced the dramatic impact on health-care that was forecast, particularly by those who were seeking to raise the cash for new biotechnology ventures.

However, Lord Rothschild, as chairman of Biotechnology Investments, the investment trust set up by N. M. Rothschild and Sons in 1981, which is devoted exclusively to biotechnology shares, has just reported his trust's best year yet, with 43 per cent growth in net assets.

"If we can do as well in the next five years as in the first five I shall be very happy," Lord Rothschild said.

Since 1981 the trust has invested in 37 unquoted shares worldwide, out of a total of 401 new biotechnology companies soliciting its support. He tells shareholders in the annual report that the potential for applying biotechnology to many industries remains enormous "with the major impact still some years away yet."

The next five years, he believes, are likely to see still more exciting biotechnology developments than the last five, which have already produced such synthetic drugs as interferon, insulin and human growth hormone, and many

uses for monoclonal antibodies. Interferon is the most conspicuous example. Two decades of research into this naturally produced protein had convinced many medical scientists that if only it could be obtained in large quantities, sufficiently pure, it must surely have a therapeutic potential.

Genetic engineering opened a new way to large-scale manufacture. Other advances ensured the purity. They have not been enough to provide a panacea — at least not yet.

But biotechnology has unquestionably provided medicine with some promising new products, dramatically effective for very specific types of disease. Biogen, backed by Schering Plough, and Genentech, backed by Hoffmann-La Roche, both successfully genetically engineered alpha-interferon. In Britain, Biogen's drug won a product licence early this year, as Intrun A, said by Kirby Warwick, Schering Plough's UK chief.

Simultaneously, the Wellcome Foundation received a product licence for Wellferon, made by mammalian cell culture in which lymphoblastoid cells are stimulated to make interferon by infecting them with a virus.

Whereas Intrun A contains a single sub-type of alpha-interferon, Wellferon contains up to 17 sub-types. Both products have been licensed so far for a single disease, a rare cancer called hairy cell leukaemia. Drug costs of about £2,000 per patient per year are said to compare favourably with current costs of treatment.

Wellcome has predicted that the next approvals for its interferons will be for genital warts and juvenile laryngeal papilloma, both caused by viruses. Kirby Warwick expects licences for myeloma and low-grade lymphomas.

What is clear now is that optimum use, dose and delivery schedules must be worked out for each disease — a painstaking process.

Genentech, the fast-growing Californian biotechnology company, first genetically engineered human growth hormone (HGH), another natural

product under contract to the Swedish company KabiVitrum. Last year a new worry was added to the scarcity and cost of natural HGH when severe disease was traced to a slow viral infection developing in patients treated in the 1960s and 1970s.

Britain was the first country to license KabiVitrum's Somatropin, the biosynthetic HGH, free from any risk of virus contamination. But the cost is high, two or three times as much as pituitary HGH, amounting to £1,000 per child this year, according to the British Medical Journal. About 900 under-five British children receive HGH treatment at any one time.

Insulin, on the other hand, although the first of the natural substances to be biosynthesised and brought to the market, has not established any clear advantage in efficacy, purity or price over the most highly purified pig insulin.

In parallel with the development of genetic engineering through recombinant DNA, the source of all the foregoing biosynthetic products, another technology was advancing. This was the hybridoma technique for making monoclonal antibodies, discovered in Cambridge in 1975.

Celtech has secured the world's first licence to be granted by the US Government's Food and Drug Administration for bulk production of monoclonal antibodies. This gives the five-year-old British biotechnology start-up access to the world's biggest drugs market and a persuasive argument in other major markets such as Japan.

Monoclonal antibodies are a big family of proteins, each of which has unique power for recognising another natural substance. This power can be harnessed in several ways: for purifying other drugs such as interferon; for the diagnosis of diseases in man, animals and plants; to identify specific kinds of protein, including toxins, in foodstuffs; for identifying blood groups; and even in the treatment of diseases such as cancer, it is believed.

David Fishlock

The facts speak for themselves.

BP Chemicals and Ato form joint PP operation

BP Chemicals spends £48m on takeovers

BP to Make Strategic Acquisition

BP fluid bed process wins 'breakthrough'

BP to invest 100m in major research and development

BP gas phase licence for India

BP's transatlantic boost to specialities arm

BP announces takeover of two speciality chemicals producers

BP deal

You'll profit from the partnership

Chemicals and biochemicals 4

Cell culture

Leading development role by UK

LARGE-SCALE culture of living cells is a novel technology for the chemical process industry and one which has evolved rapidly from an experimental technique into manufacture of the novel products of biotechnology such as interferon and monoclonal antibodies.

Britain can claim a leading role in this development, notably through the efforts of such companies as Wellcome Biotechnology and Celltech. In Celltech's case, a joint venture called Apcel has been formed with the US chemical group Air Products to develop and exploit the new technology.

The technology has its origins in the mid-1960s with efforts to culture baby hamster kidney cells, but it was driven primarily by the demand for veterinary vaccines against foot-and-mouth disease.

By 1983 Wellcome had installed more than 2m litres of cell culture capacity for FMD vaccine. It had also successfully adapted the technology to produce interferon.

Today its human lymphoblastoid interferon cells are deep-cultured at Beckenham, Kent, in a 8,000-litre vessel. It has also recently built a larger plant for Sumitomo in Japan, for manufacture of alpha-interferon under licence. Japan also operates the largest of all cell culture processes yet reported, 20,000 litres, for tobacco cells.

Many new pharmaceutical products—the result both of genetic engineering and monoclonal antibodies and more traditional research to produce new human and veterinary vaccines—are poised for commercial production. A recent review of cell culture by experts from two of the world's most prolific sources of new biotechnology products, Celltech (UK) and Genentech (USA), concludes that "in the next decade large-scale culture

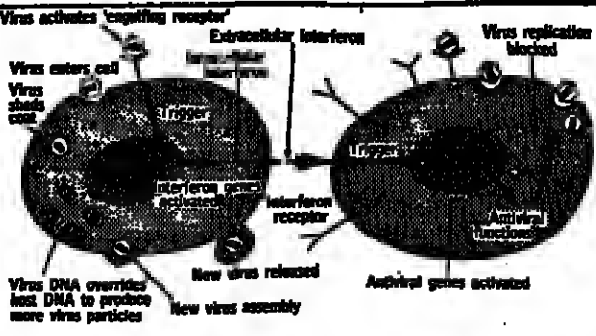
of animal cells will assume major importance in the manufacture of pharmaceutical products.

Animal and plant cells grow relatively slowly, with doubling times of 12 to 100 hours or longer, so they are easily overwhelmed by faster-growing microbial infections. Some operators put their faith in adding antibiotics to the culture medium, at risk of culturing an antibiotic resistant strain of infection.

Celltech and Genentech put their faith in plant design and operating conditions that keep infections out. But they give a warning about the corrosiveness of the very pure water they use for steam-cleaning and preparing the culture. It can leach elements from the stainless steel plant, to add unwanted constituents to the 50-odd which may already be present in the

SIX STEPS IN MAKING INTERFERON

1. Cell cultivation—of human lymphoblastoid cells in 8,000-litre vessels.
2. Cell conditioning—to increase yield, by adding sodium butyrate.
3. Induction—to stimulate cells to make interferon by inoculating culture with Sendai virus.
4. Filtration and centrifugation—to remove cells and cell debris.
5. Purification—up to 90,000 times by a multi-stage sequence including chromatography.
6. Blending and stabilisation—to produce a strength of 3 mega-units of interferon.



How the body produces interferon in virus-infected cells (left) and how interferon works on a virus-infected cell (right). Interferon has a natural role in protecting the body against disease.

How interferon works

Source: Wellcome Foundation

culture "soup".

It is important to gauge the health of the cells during culture. This can be done by microscopic examination which, with appropriate dyes, can tell the operator about population density, viability, incidence of death, amount of cell debris, etc. Aeration rates can also help to indicate the state of the cells in culture.

The products made in the greatest volume by large-scale culture are FMD vaccines, but rabies, polio and bovine leukaemia virus have all been cultured in quantity. All are made under stringent conditions of containment and security against leaks to the atmosphere.

The development of genetic engineering has opened opportunities for modified cells—viral sub-unit proteins or glycoproteins—and the possibility of purer, safer and more efficacious types of vaccine. Some have reached the stage of clinical trial.

Alpha-interferon and beta-interferon are being made by large-scale culture, up to 8,000 litres. Sumitomo has installed four 8,000-litre deep culture vessels under an agreement with Wellcome which has been worth over £10m in fees for technology and initial supplies of interferon for clinical trials.

Sumitomo hopes to obtain its own product licence for Sumitoferon this year. Mr Bill Castell, chief executive of Wellcome Biotechnology, calls this "the best mammalian cell culture plant in the world."

Japanese aptitude for the meticulous care and attention needed to run such a sensitive process on a large scale provides a natural complement to the innovation of his labora-

tories at Beckenham, says Mr Castell. He believes the two companies have an agreement "in which the Japanese will drag us along on their coat-tails."

The culture of monoclonal antibodies was done initially in "mini-reactors" in the shape of mice. With the rapid growth in the market—for diagnostics, imaging, therapy, and purification—the mini-reactors have been supplanted by cell culture plants.

It needs at least 20,000 mice to make a kilogram of monoclonal antibody and the risk of contamination is considerably greater than by deep-cell culture.

Celltech is operating stainless steel airlift fermenters for this purpose, of 10, 100 and 1,000 litres capacity. They are run in cascade, with a high degree of automation, both to improve reliability and keep down labour costs.

A microprocessor controls pH, dissolved oxygen, temperature, and the valve and pump operations. It also activates alarms if any critical feature fails. Production cycles vary from 140-400 hours, depending on the cell line, and concentrations of the monoclonal antibody range from 40 to 500 milligrams per litre of "soup"—four or five times the yield of simple laboratory culture systems such as roller bottles.

Mr Gerard Fairclough, Celltech's chief executive, claims a world lead in bulk production of monoclonal antibodies. "And we intend to keep that lead." He plans further scale-ups of production capacity from kilogram quantities to as much as 50-100 kg per year, provided there proves to be a demand for that much of a highly potent new chemical.

*Science, June 13 1986, pp 1390-5.

David Fishlock



Birmingham University's new computer-controlled bioreactor, designed collaboratively by the university's biochemical engineering laboratories and Life Science Laboratories

University/industry partnerships

Bioreactor project a key to collaboration

A £75,000 bioreactor built to the specification of Birmingham University scientists is the key to a new collaboration between the academics and a small British high-technology company. If successful, their partnership will yield a more efficient and productive design of commercial bioreactor.

The company, Life Science Laboratories of Luton, has also entered into a "teaching company" scheme with the university's biochemical engineering laboratories. Under this scheme it aims to train a team of seven postgraduate researchers specifically in the science and practice of biotechnology processes.

This affords an example of the way the highly successful government-backed teaching company scheme is being broadened from the traditional engineering industries to support a much broader swathe of British manufacture, including the chemical process industry.

Life Science Laboratories (LSL) supplies two key components of many small bioproduction lines: the fermenter (bioreactor) and the freeze-dryer, often one of the last stages of manufacture, when product value may be very high. Until recently, however, LSL distributed equipment made overseas.

Under its Proteus project, LSL has re-invested 12 years' experience of supplying French fermentation equipment worldwide to develop its own range of computer-controlled bioreactors, from bench-top size to 3,000-litre pilot plant. Beyond this size, bioreactors are usually custom-built for the client, says Mr Patrick Gilgallon, LSL's chairman.

The Proteus project transferred LSL from an importer of French plant to maker of British bioreactors. It included development of its Mentor software to automate the fermentation stage. A single controller can supervise as many as 30 to 40 bioreactors, Mr Gilgallon claims.

Earlier this year he launched Project Odyssey, a joint venture with biotechnologists in Birmingham University's department of chemical engineering, believed to be the highest school serving this discipline in Britain.

The project aims to develop a new kind of bioreactor, using university research into fermenter performance to raise yields through tighter process control. Mentor software will provide the control.

At the university a key participant is Prof Alvin Nienow, a specialist in the

direct digital control for the mass-production of microbes to a tight specification on quality control and throughput.

The teaching company idea dates back to 1974 as the brainchild of Dr Teo Williamson, a British engineer who wanted to bring to the factory floor some of the advantages of Britain's world-famous teaching hospitals, in the way they offer "hands-on" experience of real situations and problems under expert supervision.

The Government balked at the problems of creating a teaching company from scratch but agreed to encourage new link-ups between academic institutions and established companies, to give postgraduate researchers access to the factory floor. The scheme was launched jointly by the Science and Engineering Research Council and the Department of Industry.

Initially, the scheme focused on the mechanical and electrical industries. Today it is growing exponentially and diversifying into such areas as the process industries, says Prof Derek Saunders, of the Cranfield Institute of Technology, who is the scheme's director.

The two patrons and industry share a cost which runs currently at about £12m a year but is poised for a big expansion, Prof Saunders says. More than 100 new partnerships are currently being established each year between university and industry. It has also devised group schemes to help encourage participation by small companies.

For LSL, the cost of training seven research associates is estimated at about £300,000. This will be shared equally between the company, SERC and the Industry Department. But each believes it will contribute more in "hidden cost".

In the company's case, it could amount to another £300,000 in staff costs for people heavily engaged in the scheme, who could number as many as 18, Mr Gilgallon estimates. But the outcome will be a highly-trained corps of specialists to help keep the company growing.

Prof Nienow is already collaborating with several other UK biotechnology ventures, including one at the National Engineering Laboratory, East Kilbride, on the scale-up of

Computer control is an integral part of the design, not an add-on.

The aim is to use university research to raise yields through tighter process control.

Influence of agitation on the performance of all kinds of chemical reactor. Prof Nienow believes the importance of mixing within the viscous "soup" of a fermenter in which living organisms are breeding has been seriously underestimated. His latest research is incorporated in the design of the 150-litre bioreactor the department bought from LSL last spring. It includes a multi-blade mechanical stirrer, performance of which can be varied, and followed at various levels down through the reactor.

The aim is to secure optimum flow of nutrients to every living organism in the vessel, at minimum capital outlay and running cost, and with least damage to the organisms themselves. Bacteria can be stirred more vigorously than plant cells, for example, which tend to be very sensitive to the shear stresses imposed by spinning blades.

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David Fishlock



The good old days?

A day at the Seaside—one of those great British traditions that had its origins in Victorian times, when the railway boom brought travel within the reach of ordinary people.

Today, the girls (1) would be just as likely to do their paddling on a much more distant shore; their garments (2) would certainly be far fewer and lighter than convention decreed necessary in 1890.


Contrasts like this owe much to

the contribution of a century of chemistry, through the growth of companies like Bayer.

Fast travel by plane or hovercraft was helped by the development of tough, lightweight materials like engineering plastics, synthetic rubber, adhesives and protective coatings. Beachwear and fashions are now lighter and brighter with the advent of man-made fibres such as Dralon, and with modern dyestuffs.

A hundred years ago, a dip in the sea (3) was thought to be therapeutic, but water in many parts of the world has too often been a carrier of fatal disease. As early as 1890, pharmaceuticals developed by Bayer were helping to combat many water-borne tropical diseases, like sleeping sickness and malaria. More recently, the same expertise has come to the aid of many who suffer from heart disease.

Certainly, more ills remain to be cured, as do problems in our environment, but the skills and the resources are there. It is to this end that Bayer spends more than £500 million a year in its commitment to improving the quality of life.

Bayer 

Improving the quality of life.

If you would like a print of this photograph, or more information about Bayer, write to Dept A, Bayer UK Limited, Bayer House, Newbury, Berks RG13 1JA.

Table of recent issues for equities, listing stock names, prices, and changes.

Table of recent issues for fixed interest stocks, listing stock names, prices, and changes.

Table of recent issues for 'RIGHTS' offers, listing stock names, prices, and changes.

AUTHORISED UNIT TRUSTS

Large table listing various authorized unit trusts, including names, managers, and performance metrics.

FT UNIT TRUST INFORMATION SERVICE

Large table providing detailed information for the FT Unit Trust Information Service, including trust names, managers, and contact details.

UNIT TRUST, INSURANCE OFFSHORE, MONEY MARKET LISTINGS. For further advertising information, please contact: Pamela Faulkner...

HOLIDAY AND TRAVEL ADVERTISING. Published on Wednesday and Saturday. For details of Advertising Rates contact: Carol Honey...

FT CROSSWORD PUZZLE No. 6121. A crossword puzzle grid with clues for Across and Down.

ACROSS: 1 Drunk, the first lieutenant chose to go without (7). 5 Claimed another examination (7). 9 Ought to be in stem of boat (5). 10 Outside broadcast term for a fixed idea (9). 11 Stop now members going outside unrestrained (9). 12 Annoy father bringing in firearm (5). 13 Expect about six, etc., when upset (5). 15 Confused so dumb a person as one investigating grievances (9). 18 Getting realist to change the betting system (9). 19 Said to strain waffles (5). 21 Different article in yellow case (5). 23 Canned brine mixture I consumed (9). 25 Mass murderer unhappy with a redhead in bed (9). 26 An excess to ball out the high leader (5). 27 Trace note and allow the soldiers to enter (7). 28 Fight rises negotiated way back (7). DOWN: 1 Imagine very good crust getting smashed (7). 2 Carefully study writing by one forced to enlist (9). 3 Are situated, for example, inside a Belgian city (5). 4 They take turns to provide openings for entrants (9).

Handwritten signature or mark at the top center of the page.

INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and financial services, including company names, addresses, and contact information.

Main table containing detailed information for various insurance, overseas, and money funds, including fund names, descriptions, and performance metrics.

Table listing additional financial services and companies, including their names and contact details.

MANAGEMENT SERVICES

Table listing management services provided by various firms, including names and descriptions.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas financial services, including company names and descriptions.

Money Market

Table listing money market funds and their performance, including fund names and returns.

Money Funds

Table listing various money funds and their details, including names and descriptions.

Bank Accounts

Table listing bank accounts and services, including names of banks and account types.

TRADITIONAL OPTIONS

Table listing traditional options and services, including names and descriptions.

Notes and additional information at the bottom right of the page.

COMMODITIES AND AGRICULTURE

Coffee pact members face export quota dilemma

BY ANDREW GOWERS

THE ANNUAL world coffee ritual is about to commence — only this year it has more of an air of unreality about it than ever.

Delegates from exporting and importing countries gather in London next week for the meeting at which they would normally fix the ground rules for the coffee trade over the next year under the Quota Arrangements of the International Coffee Agreement.

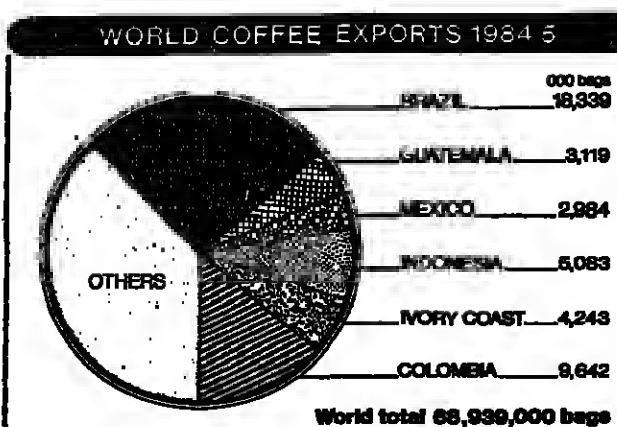
The trouble is that the exercise is almost entirely theoretical. The \$150-plus world coffee market has been a free-for-all since February, when export quotas were suspended because of the dramatic price rally sparked by last year's Brazilian drought.

Although prices dipped later in the year, they have been climbing since. With the International Coffee Organization's composite daily price close to 180 US cents a lb, nobody seriously expects quotas to come back this calendar year and they may even stay in abeyance right through the 1986/87 coffee year, which starts on October 1.

Nonetheless, the ICO council will not be short of things to talk about, principally a sharp fall in supplies of mid (arabica) coffees. This now seems certain as a result of last year's four-month drought in Brazil, which is usually by far the biggest coffee producer and exporter. Last month, the Brazilian Coffee Institute slashed its official forecast of the crop by 8.5m bags to 11.2m — little more than one third of the amount from 1985's bumper harvest.

As a result, Brazil is universally expected to export much reduced quantities of coffee at least until the 1987 harvest summer. Mr Brown, director of coffee analysis with Landell Mills, the London-based consultants, suggests that between July 1986 and July 1987, only 10m or 11m bags may be available for export, some 8.5m less than the country's total exports in the 1984/85 coffee year.

It is unlikely that other producers will be able fully to make up the shortfall. Colombia, the second largest exporter, is being shipped for all it is worth, but its export capacity is constrained by port congestion. The Central American producers, which are cashed in on the recent high prices to the extent that they may have very little coffee



left by the end of this calendar year. If quotas were in force, then the ICO's governing council might be faced with a real, and politically charged, dilemma: whether to reallocate export quotas for the next three years (the remaining life of the coffee agreement), and if so how. This underlying question will have to be discussed over the next two weeks, and will sooner or later have to be faced head on.

Consuming countries, while winning at the high prices it has caused, see the Brazilian problem as something of an opportunity. Traders and roasters have long complained about what they say is a mismatch between supply and demand in the different varieties of coffee. This supposed renegotiation, say the optimists, could provide a chance to rectify the situation. Some like the US, believe that Brazil has too large a market share and that Colombia deserves

Other producers, too, might be expected to try and capitalise on Brazil's misfortune. Apart from the Central American, African and Asian producers of the coarser robusta coffees have often clamoured in the past for increased quota entitlements.

On the face of it, Brazil looks to be in a rather weak position to be a major market share of almost 30 per cent. The reality is likely to be rather different. Brazil is a tough negotiator in affairs concerning coffee, which in normal years is still its number one export earner, and has made it perfectly clear that it will not accept a quota reduction. If attempts are made in this direction, the Government has

Crude oil prices back below \$15

By Lucy Kellaway

OIL PRICES in London fell back below \$15 a barrel yesterday, with cargoes of Brent crude for October delivery changing hands for as little as \$14.65 a barrel, 50 cents lower than the price at the end of last week.

A report early on in the day claiming that Saudi Arabia exceeded its new production quota last week caused some selling in the international market. For the first five days since the new ceilings came into force last Monday Saudi may have produced 5.1m barrels a day compared to its quota of 4.8m.

However, according to the Middle East Economic Survey, Opec members have stuck to their ceilings with an impressive degree of seriousness so far. It estimates that production last week was 17m barrels a day, of which Iraq, which is not included in the new arrangement, produced 4.4m. That means that the other Opec members are producing no more than their combined quota of 14.8m barrels a day.

Crude oil continued to drift downwards, and West Texas Intermediate fell about 20 cents by early afternoon to about \$15.45. Traders in the US seem to interpret the latest reversal as a reaction to the strong rises of last week, rather than heralding another large fall in prices.

Rubber pact talks in Kuala Lumpur

MR LIM KENG YAIK, Malaysia's Primary Industries Minister, held talks yesterday with US and EEC officials on the prospect of a new International Natural Rubber Agreement (INRA).

Malaysian officials said, reports from Kuala Lumpur, that the US and EEC officials were in Kuala Lumpur for a meeting of the administrative committee of the International Natural Rubber Organisation, the administrative arm of INRA.

The five-year agreement, due to expire in October 1986, was extended to October 1987 to allow time for negotiations. At the last round of talks Malaysia, representing the producers, tried to raise the buffer stock reference price to 205 cents, but the US and EEC refused to do so.

The US and EEC officials were in Kuala Lumpur for a meeting of the administrative committee of the International Natural Rubber Organisation, the administrative arm of INRA.

LONDON MARKETS

THE PLATINUM price fell heavily in a continued reaction against recent strong gains. The afternoon string set the price at \$622.50 a tray ounce, down \$41.25 on the day, following Monday's \$19 fall. The gold price, which had also been rising sharply until this week, was relatively steady, falling only \$4.50 to \$411.50 an ounce, repeating Monday's decline.

On the London Metal Exchange the fall in the first network in str trading days, with a \$4 fall to \$217 a tonne, but the supply squeeze which had been pushing the price higher was still in evidence with the premium on the market widening by \$2 to \$28.50 a tonne. Other LME base metals continued Monday's drift, and coffee and cocoa values fell back a few pence.

ALUMINIUM

Official closing (am): Cash 812.5 (274.0), three months 803.5 (262.0), settlement 813 (264). Final carb close: 792.25. Turnover: 15,976 tonnes.

COPPER

Official closing (am): Cash 812.5 (274.0), three months 803.5 (262.0), settlement 813 (264). Final carb close: 792.25. Turnover: 15,976 tonnes.

COCAO

After falling to 22 lower futures prices and closing levels were at the end of the trading range. Little physical interest was seen, production and consumption being quite normal.

LEAD

Official closing (am): Cash 271.5 (92.0), three months 267.5 (88.0), settlement 271.5 (92.0). Final carb close: 267.5. Turnover: 6,224 tonnes. US Spot: 23.0-24.0 cents per lb.

NICKEL

Official closing (am): Cash 271.5 (92.0), three months 267.5 (88.0), settlement 271.5 (92.0). Final carb close: 267.5. Turnover: 6,224 tonnes. US Spot: 23.0-24.0 cents per lb.

TIN

Official closing (am): Cash 271.5 (92.0), three months 267.5 (88.0), settlement 271.5 (92.0). Final carb close: 267.5. Turnover: 6,224 tonnes. US Spot: 23.0-24.0 cents per lb.

ZINC

Official closing (am): Cash 271.5 (92.0), three months 267.5 (88.0), settlement 271.5 (92.0). Final carb close: 267.5. Turnover: 6,224 tonnes. US Spot: 23.0-24.0 cents per lb.

SOYABEAN MEAL

Official closing (am): Cash 271.5 (92.0), three months 267.5 (88.0), settlement 271.5 (92.0). Final carb close: 267.5. Turnover: 6,224 tonnes. US Spot: 23.0-24.0 cents per lb.

GRAINS

Official closing (am): Cash 271.5 (92.0), three months 267.5 (88.0), settlement 271.5 (92.0). Final carb close: 267.5. Turnover: 6,224 tonnes. US Spot: 23.0-24.0 cents per lb.

WHEAT

Official closing (am): Cash 271.5 (92.0), three months 267.5 (88.0), settlement 271.5 (92.0). Final carb close: 267.5. Turnover: 6,224 tonnes. US Spot: 23.0-24.0 cents per lb.

SILVER

Official closing (am): Cash 271.5 (92.0), three months 267.5 (88.0), settlement 271.5 (92.0). Final carb close: 267.5. Turnover: 6,224 tonnes. US Spot: 23.0-24.0 cents per lb.

INDICES

REUTERS: Sept 9 (last) 1986 1985 1984 1983 1982 1981 1980 1979 1978 1977 1976 1975 1974 1973 1972 1971 1970 1969 1968 1967 1966 1965 1964 1963 1962 1961 1960 1959 1958 1957 1956 1955 1954 1953 1952 1951 1950 1949 1948 1947 1946 1945 1944 1943 1942 1941 1940 1939 1938 1937 1936 1935 1934 1933 1932 1931 1930 1929 1928 1927 1926 1925 1924 1923 1922 1921 1920 1919 1918 1917 1916 1915 1914 1913 1912 1911 1910 1909 1908 1907 1906 1905 1904 1903 1902 1901 1900 1899 1898 1897 1896 1895 1894 1893 1892 1891 1890 1889 1888 1887 1886 1885 1884 1883 1882 1881 1880 1879 1878 1877 1876 1875 1874 1873 1872 1871 1870 1869 1868 1867 1866 1865 1864 1863 1862 1861 1860 1859 1858 1857 1856 1855 1854 1853 1852 1851 1850 1849 1848 1847 1846 1845 1844 1843 1842 1841 1840 1839 1838 1837 1836 1835 1834 1833 1832 1831 1830 1829 1828 1827 1826 1825 1824 1823 1822 1821 1820 1819 1818 1817 1816 1815 1814 1813 1812 1811 1810 1809 1808 1807 1806 1805 1804 1803 1802 1801 1800 1799 1798 1797 1796 1795 1794 1793 1792 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BRITISH FUNDS

Table of British Funds with columns for Stock, Price, Dividend, and Yield. Includes sub-sections for 'Stars' (Live up to Five Years) and 'Five to Fifteen Years'.

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Index-Linked

Table of Index-Linked funds.

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Table of Commonwealth and African Loans.

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Table of various Loans.

Public Board and Ind.

Table of Public Board and Industrial funds.

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Table of Financial funds.

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Hire Purchase, Leasing, etc.

Table of Hire Purchase, Leasing, etc. funds.

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Table of Beers, Wines, and Spirits funds.

BEERS, WINES & SPIRITS

Table of Beers, Wines, and Spirits funds.

BEERS, WINES & SPIRITS

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Table of Beers, Wines, and Spirits funds.

BEERS, WINES & SPIRITS

Table of Beers, Wines, and Spirits funds.

LONDON SHARE SERVICE

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Table of Drapery and Stores shares.

BEERS, WINES & SPIRITS

Table of Beers, Wines, and Spirits shares.

BEERS, WINES & SPIRITS

Table of Beers, Wines, and Spirits shares.

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Table of Beers, Wines, and Spirits shares.

BEERS, WINES & SPIRITS

Table of Beers, Wines, and Spirits shares.

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Table of Engineering shares.

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INDUSTRIALS - Continued. Table listing various industrial stocks with columns for stock name, price, and other financial metrics.

LEISURE - Continued. Table listing leisure-related stocks such as hotels and entertainment companies.

PROPERTY - Continued. Table listing real estate and property-related stocks.

INVESTMENT TRUSTS - Cont. Table listing various investment trusts and funds.

FINANCE, LAND - Cont. Table listing financial and land-related stocks.

MINES - Continued. Table listing mining stocks, including diamond and platinum mines.

INSURANCES. Table listing insurance companies and their stock prices.

PAPER, PRINTING, ADVERTISING. Table listing companies in the paper, printing, and advertising sectors.

SHOES AND LEATHER. Table listing shoe and leather goods companies.

SOUTH AFRICANS. Table listing stocks from South Africa.

TEXTILES. Table listing textile manufacturing companies.

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TRUSTS, FINANCE, LAND. Table listing trusts, financial, and land-related stocks.

FINANCE, LAND, etc. Table listing financial and land-related stocks.

MINES. Table listing mining stocks.

REGIONAL & IRISH STOCKS. Table listing regional and Irish stocks.

Notes and footnotes at the bottom of the page, including 'Recent Issues' and 'Rights' page 43.

LONDON STOCK EXCHANGE

Gilts fall to 6-month lows after poor money stock figures

Account Dealing Dates... First Declared Last Account Dealing Date...

The divergent trends which have developed in London share and bond markets since early last month widened still further yesterday...

added 7 at 268p. Composites added the session with a late flourish. Sun Alliance closed 13 to the good at 742p and Royals 10 better at 874p.

FINANCIAL TIMES STOCK INDICES. Table with columns for indices (Government Secs, Fixed Interest, etc.) and dates (Sept 9, 8, 5, 4, 3, 2, 1, year ago).

490p. Alphameric rose 6 to 196p on the proposed full listing, but sharply lower annual earnings...

politan which touched 410p prior to closing a bid 5 up at 408p; the company announced yesterday...

Good Relations advanced strongly and closed 12 up at 120p, after 12p amid rumours of an imminent bid from Love...

Apert from Hawker, which eased 5 to 210p, other names showed little alteration. Elsewhere, Hopkinson continued to attract buyers and rose 5...

C. H. Beazer fall. News of the proposed £183m rights issue prompted sustained selling of C. H. Beazer shares...

UK-based financials showed a mixed picture. First, a few names eased at 540p, reflecting the trend in the market...

improvements of 5 were seen in Nees Investments, 80p, and REA Holdings, 197p.

Another shaky performance by precious metal prices disturbed the mining market which retreated across a broad front for the first time in over two weeks...

South African gold and related issues moved sharply lower from the outset. Heavy selling from London, the Continent and Johannesburg saw prices retreat throughout the morning...

EUROPEAN OPTIONS EXCHANGE. Table with columns for Series, Vol., Last, etc. for various options.

TRADITIONAL OPTIONS. Table with columns for Deal, Declared, Settlement, etc.

YESTERDAY'S ACTIVE STOCKS. Table with columns for Stock, Change, etc.

MONDAY'S ACTIVE STOCKS. Table with columns for Stock, Change, etc.

RISES AND FALLS YESTERDAY. Table with columns for Rise, Fall, Same.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Table with columns for EQUITY GROUPS & SUB-SECTIONS, Tuesday September 9 1986, and various stock indices.

FIXED INTEREST

Table with columns for PRICE INDICES, Tenor, Day's % change, etc.

NEW HIGHS AND LOWS FOR 1986

Table with columns for NEW HIGHS (65) and NEW LOWS (17) listing various companies and their prices.

BASE LENDING RATES

Table with columns for Bank Name, Rate, etc.

LONDON TRADED OPTIONS

Large table with columns for CALLS, PUTS, and various option contracts.

Figures in parentheses show number of stocks per section. * 7 day yield. 1 month 6.02%, 3 months 6.12%, 6 months 6.22%, 1 year 6.32%, 2 years 6.42%, 3 years 6.52%, 4 years 6.62%, 5 years 6.72%.

* Members of the Accepting Houses Committee. * 7 day yield 5.69%, 1 month 5.79%, 3 months 5.89%, 6 months 5.99%, 1 year 6.09%, 2 years 6.19%, 3 years 6.29%, 4 years 6.39%, 5 years 6.49%.

Figures in parentheses show number of stocks per section. * 7 day yield 5.69%, 1 month 5.79%, 3 months 5.89%, 6 months 5.99%, 1 year 6.09%, 2 years 6.19%, 3 years 6.29%, 4 years 6.39%, 5 years 6.49%.

WORLD STOCK MARKETS

Table of world stock markets including Austria, Germany, Norway, Australia, Japan, Canada, Denmark, France, Netherlands, and Switzerland. Columns include country, date, price, and change.

Table of stock prices for Toronto and Montreal. Columns include stock name, price, and change.

Indices

Table of stock indices for New York, London, and other major markets. Columns include index name, date, and value.

OVER-THE-COUNTER

Table of over-the-counter stock prices with columns for stock name, price, and change.

Table titled 'LONDON Chief price changes' showing price movements for various stocks like Argyle Group, Baggeridge Brick, etc.

Advertisement for 'Some business travellers' featuring the Financial Times newspaper, with contact information for the London office.

Advertisement for 'HAND DELIVERY SERVICE' in the Netherlands, providing contact details for Richard Willis.

Advertisement for 'Special Subscription' of the Financial Times in Belgium and Luxembourg, including a map of the region and contact information.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table containing stock prices for various companies, organized in columns with headers for stock symbols, prices, and changes. Includes sections for 'NEW YORK STOCK EXCHANGE' and 'NASDAQ'.

Continued on Page 45

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NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices. Columns include Stock, Price, Change, High, Low, and Volume. Includes sub-sections for 'Continued from Page 44' and 'BASEL/GENEVA/LAUSANNE/LUGANO/ZURICH SWITZERLAND'.

Table of AMEX Composite Closing Prices. Columns include Stock, Price, Change, High, Low, and Volume. Includes sub-sections for 'Continued from Page 44' and 'BASEL/GENEVA/LAUSANNE/LUGANO/ZURICH SWITZERLAND'.

OVER-THE-COUNTER Nasdaq national market, closing prices

Table of Over-the-Counter (Nasdaq) national market closing prices. Columns include Stock, Price, Change, High, Low, and Volume. Includes sub-sections for 'Continued from Page 44' and 'BASEL/GENEVA/LAUSANNE/LUGANO/ZURICH SWITZERLAND'.

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Continued on Page 43

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Early rally falters at midsession

US STOCK MARKETS tried to rally from their recent losses yesterday, but proved unable to sustain their early gains, writes Terry Byland in New York.

Views on the outlook for the economy remained bullish but bargain hunting pushed federal bonds up by three quarters of a point in early trading. Blue chip stocks opened sharply, putting the Dow ahead by 12 points in the first half hour, but support waned at midday.

The second half of the session saw the blue chips mostly on the downside, while the broader market was mixed.

At the close, the Dow Jones industrial average was a net 4.50 points down at 1,894.14. NYSE turnover was brisk at 138.5m shares.

While Wall Street still believes that the next move in interest rates will be upwards, inflation worries have been cooled by the setback in gold prices. Investors were clearly attracted into the market yesterday by the falls of the two previous sessions.

Interest rate-oriented issues remained cautious, with the Dow utilities average unable to sustain an early rise. Chubb

stood out among insurance stocks, rising 5 1/4 to 56 3/4, but Aetna Life & Casualty, up 3/4 to 56 1/4, Chase Manhattan, up 1/2 at 53 1/4 and Bankers Trust, down 1/4 at 54 1/4, saw only modest trading.

But industrials were featured by gains in IBM and General Motors. Big Blue, recommended this week by First Boston, added a further 3/4 to 143 3/4 in heavy turnover. GM, a weak spot recently, rallied 5/8 to 57 1/4 in moderate trade after Ms Maryann Keller, a celebrated motor industry analyst, recommended GM as a defensive, good yielding stock.

Ford at 57 1/4, added 3/4 and Chrysler edged up 1/4 to 53 3/4 in modest turnover.

But IBM's strength set light to the technology stocks, where the newly-shaped Burroughs jumped 3/4 to 57 1/4 - but in very slight turnover. Digital Equipment added 3/4 to 100 1/4. Honeywell 1 1/4 to 70 1/4 and NCR 3/4 to 58.

Helping industrials was a rally in the Dow transportation average, reflecting firmness in both airline and railroad issues.

There was renewed demand for Norfolk Southern - the board could give no reason for the rise in stock which added another 3/4 to 58 1/4. CSX edged up 1/4 to 53 1/4.

The domestic airline carriers continued to respond to favourable investment comment on the newly shaped industry produced by the deregulation of the late 1970s - analysts believe this has heightened the opportunities for the established names. United added 3/4 to 53 1/4, American 3/4 to 55, while People Express, awaiting developments following the collapse of its bid to sell Frontier, held steady at 53 1/4.

There was some hefty "churning" in oil stocks, although prices were generally a shade easier. Exxon at 56 1/4 eased 5/8, Atlantic Richfield 3/4 to 55 1/4. Schlumberger, the oil services group favoured recently by takeover speculators, eased 3/4 to 53 1/4.

A sharp rebound in pharmaceuticals reflected bargain-hunting in the wake of Monday's setback. Gains were trimmed at midsession, however, leaving Merck 1 1/2 down at 104 and Pfizer 3/4 up at 52 3/4. This week's firmness in the dollar has cast uncertainty over the outlook for sales by US pharmaceutical groups, which lean heavily on international markets.

Retail stocks joined in the market rally, but chucked up only modest gains. Sears, restrained by the potential impact of higher interest rates on its financial services divisions, eased 3/4 to 54 1/4. J. C. Penney gained 1/4 to 57 1/4 but saw very little trade.

The downward reversal in bullion prices had little effect on mining stock prices. ASA, the closed-end investment trust which provides the chief vehicle for US investment in South African gold mining stocks, shed 3/4 to 53 1/4.

Turnover in the bond market was thin, but prices moved up sharply as traders squared themselves for this week's batch of federal economic data. At the short end, Treasury bill rates showed little change and rates on CDs gave back a little of Monday's gains.

EUROPE

Institutions point way to higher peaks

THE PACE OF TRADING quickened on the European bourses yesterday on renewed institutional and foreign buying.

Brussels continued on its record run. The Belgian Stock Exchange index peaked again with another 13.85 gain to 4,034.33 on strong domestic and overseas institutional support and the more stable dollar.

Petrofina, which led the market to peaks on Monday, suffered a dose of profit-taking that trimmed BFR 100 of its prices, at BFR 9,600.

Imperial Continental Gas Association, a UK institution, has reportedly been a major buyer of Petrofina stock in recent sessions in an attempt to prevent a dilution of its holding in any portfolio moves by the two leading Belgian holding companies Groupe Bruxelles Lambert, up BFR 55 at BFR 3,538 and Société Générale de Belgique, up BFR 5 at BFR 3,255.

Petrofina was the most active in the session with more than 23,000 shares traded.

Banks were mixed with Royale Belge scoring one of the best gains of the session with its BFR 300 jump to BFR 28,000, while Kredietbank held steady at BFR 18,000.

Sofina hit a new high for the year with its BFR 200 advance to BFR 11,800, while Gevaert continued to lose ground with a further BFR 80 fall to BFR 8,190.

Bekaert retreated BFR 100 to BFR 11,650 on its lower first-half results and in reaction to Monday's sharp gain.

Frankfurt remained in its narrow trading range as the Commerzbank index retreated 24.4 points to 2,064.6 after Monday's 25 point rise. The less optimistic mood on interest rates ahead of tomorrow's Bundesbank policy making council meeting also acted as a dampener.

Leading car stock Daimler dropped a further DM 17 to DM 1,290, while Porsche continued to derive some benefit from its higher US sales with its DM 58 jump to DM 1,175. VW slipped DM 2.50 to DM 530.

The banking sector failed to staunch the losses of the previous session as Bayerische Vereinsbank lost DM 10 more to DM 540 and Dresdner at DM 437 was DM 7 cheaper. Deutsche Bank fell DM 5.50 to DM 815.50.

The bond market was mixed with movements of up to 35 basis points and the Bundesbank surprised some dealers with a DM 29.4m sale of domestic paper after buying DM 49.3m in the previous session. The average yield on public authority paper edged up to 5.67 per cent.

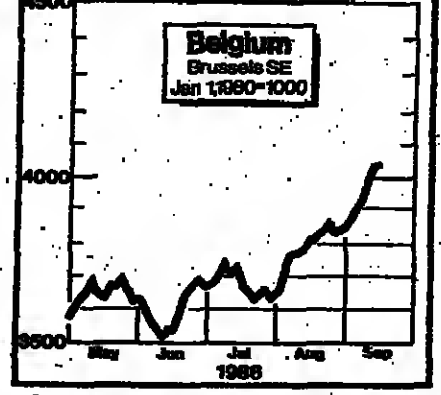
Amsterdam was awash with corporate news but the market turned mixed at the close. The ANP-CBS General index

ceased 1.1 to 298.3 as many investors moved to the sidelines ahead of next week's budget proposals.

Unilever slipped 80 cents to FI 516, above its low for the day, in response to the group's appointment of a new finance director.

Akzo added FI 1.70 to FI 163.30 ahead of the news that the Environment Ministry was buying a subsidiary of the group for FI 75m over alleged pollution.

Builder HBG eased 50 cents to FI 142.50 on its FI 22m first-half profits



which were in line with analysts' expectations.

Flat earnings for fellow construction group Volker Stevin triggered a FI 4 setback to FI 37.

Elsewhere, banks scored modest gains, while insurers and publishers were mixed.

Milan staged a solid recovery from Monday's sharp decline as domestic institutions and foreign buyers dominated early trading. Late profit-taking trimmed some of the advances which included a small LS gain to L3,315 on its capital raising plans. Initiative Me.Ta, a Montedison holding company, dipped L290 to L23,900 on concern over its takeover of a stake in insurer La Fondiaria. Olivetti added L500 to L18,300.

Zurich was actively lower under profit-taking pressure although the underlying sentiment was described by brokers as firm. Jacobs Suchard was dragged SFR 125 down to SFR 8,050 despite its stronger first-half profits.

Paris finished weaker in moderate trading, while Stockholm was buoyed by steady institutional support and on the hopes of further falls in the oil price. Madrid edged lower after its Monday holiday.

SOUTH AFRICA

AS THE PRICE OF bullion dipped, gold issues in Johannesburg followed suit, but a stronger rand kept losses to a minimum.

Randfontein dropped R10 to R390, Val Reefs gave up R7 to R330, while Laibaion shed R1.25 to R71.25 and Villages 20 cents to R2.55.

Banks were higher, however, with Barclays - which is now listed on the New York Stock Exchange - 50 cents higher at R22 and Nedbank 15 cents up to R6.05. Stores group OK Bazaars was one of the other few gainers, rising 25 cents to R16.50.

LONDON

CAUTION took hold in London as dealers were intimidated by Wall Street's poor performance and news of another fund-raising exercise - C. H. Beazer (down 20p at 210p) called for £13m through a rights issue. But the prices of most issues were not affected.

Government securities, crushed to their lowest levels in six months following news however, of yet another poor set of money statistics. Short and long-dated gilts closed a net 1/4 down at the lowest point since early March while index-linked stocks sustained fresh falls of 1/4.

Mirroring the bounce back after Monday's shake-out, the FT Ordinary share index regained 1/4 of its previous fall to close at 1,331.1 and the FT-SE 100 picked up 6.8 to 1,673.4.

Chief price changes, Page 43; Details, Page 42; Share information service, Page 40-41.

AUSTRALIA

AFTER riding high for the past few sessions on the price of bullion, Sydney turned sharply lower following a fall in precious metal prices.

Industrials were also weaker on renewed fears about the domestic currency and the economy. BHP shed 2 cents to A\$7.64 as investors ignored the record oil flow from the Chivalis Three appraisal well in the Timor Sea.

In the gold mining sector, Western Mining Corporation, active with 2.2m shares changing hands - dropped 11 cents to A\$3.75. Central Norseman fell 50 cents to A\$11.80, GMK 40 cents to A\$12.60 and Kidston a similar amount to A\$12.60 also.

HONG KONG

TURNOVER was almost halved in a quiet session in Hong Kong where prices drifted lower.

The value of shares traded dropped to HK\$390m from HK\$630m on Monday and the Hang Seng index inched 3.96 lower to end at 1,966.02.

Profit-taking was seen to lay behind the lower trend. In properties, Cheung Kong eased 10 cents to HK\$25.00, Hongkong Land 5 cents to HK\$36.65, Sun Hung Kai Properties 30 cents to HK\$15.60 and New World Development was steady at HK\$7.20.

SINGAPORE

SELECTED blue chips managed slight gains in Singapore despite a bout of profit-taking which dragged prices lower across a broad front.

The Straits Times industrial index slipped 4.58 to 437.39 and volume dwindled to 22.2m shares from 27.9m traded on Monday.

Rumours about Promet, the beleaguered Malaysian oil-exploration and property group, pushed it 6 cents down to 41 cents in active trading. This created some nervousness among second-tier and other Malaysian issues.

KEY MARKET MONITORS																															
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TOKYO Pessimism on rate cuts fuels selling

WEAKER expectations for another round of discount rate cuts by industrial countries sparked light selling in Tokyo yesterday which drove equities lower, writes Shigeo Nishizaki of Jiji Press.

Some bluechip stocks held firm on buying by investment trusts triggered by the earlier yen against the US dollar.

The Nikkei average shed 78.16 to 18,474.09 for its third consecutive daily decline. Volume weakened from 540,000 to 511,511 shares. Declines outnumbered advances by 575 to 252, with 136 issues unchanged.

The market remained lethargic, as investors were discouraged by the fifth consecutive overnight rise in US long-term interest rates, due to surging gold prices. Another unfavourable factor was the caution expressed by Japanese Finance Minister Mr Kiichi Miyazawa on Monday about Japan making a fourth discount rate cut this year, following his talks with US Treasury Secretary Mr James Baker on Saturday.

Investor concern deepened on speculation that five major Japanese steel-makers would forego interim dividend payments for the first half (April-September) of this fiscal year due to worsening business performance, affected by the stronger yen and lower steel

product prices. Nippon Steel is forecast to suffer a half-year recurring loss of nearly ¥40bn (\$250m) and loss estimates for the other four range from ¥20bn to ¥30bn.

Large capital stocks fell almost across the board in small-lot selling. Nippon Steel slipped ¥5 to ¥224, Nippon Kokan ¥7 to ¥278 and Kawasaki Steel ¥7 to ¥240. Among heavy electricals, Toshiba shed ¥5 to ¥720, although it topped the active stock list with 44,22m shares traded. Mitsubishi Heavy Industries, second busiest with 23.77m shares, eased ¥6 to ¥930.

By contrast, electricals and other blue-chip issues were favoured by the dollar's rise to above ¥156 and light buying by some investment trusts. NEC climbed ¥70 to ¥1,990 after gaining ¥90 at one stage, Matsushita Electric Industrial ¥70 to ¥1,710, Toyota Motor ¥90 to ¥1,830 and Fujitsu ¥27 to ¥995.

Market sources are interested in the movements of investment trusts, as investment trust management companies plan to establish funds worth ¥1,080bn during September. Of the total, ¥390bn is expected to be used for purchasing equities and thereby to boost the lacklustre market.

Bonds strengthened on active buying by dealers. The yield on the bellwether 8.2 per cent government bond due in July 1995 plunged from 4.665 to 4.625 per cent after moving up to 4.685 per cent at one stage in the morning.

The market rally was due to buying by big securities companies, which considered the market had hit bottom at a yield of around 4.685 per cent. Dealers did not seem pessimistic despite the fact that another round of discount rate cuts was not endorsed at the Miyazawa-Baker meeting. However, they remained reluctant to buy steadily.

US BONDS			
Treasury	September 9	Prev	Yield
6% 1988	99 1/2	6.311	99 1/2
7d 1988	100 1/2	7.191	100 1/2
7% 1986	100 1/2	7.254	100 1/2
7 1/2 2016	96 1/2	7.548	99 1/2

Treasury Index			
Maturity	Return	Day's change	Yield
1-30	155.02	-0.56	7.15
1-10	148.32	-0.35	6.83
1-3	139.52	-0.13	6.37
3-5	150.57	-0.42	7.06
15-30	179.16	-1.32	8.22

Corporate			
AT & T	September 9	Prev	Yield
3 1/2% July 1990	91.81	6.40	91% 6.513
SCBT South Central	106% 9.591	106%	9.591
Phibco	98.75	8.189	98.679 8.2
6 April 1988	101%	8.515	101% 8.457
TRW	98	9.579	97% 9.831

FINANCIAL FUTURES			
CHICAGO	Latest	High	Low
US Treasury Bonds (CBT)			
6% 32nds of 100%	97-17	97-29	97-08
US Treasury Bills (BMB)			
\$1m points of 100%	94.76	94.79	94.75
Sept	94.42	94.45	94.40

LONDON			
Three-month Eurodollar	Sept	94.07	94.09
\$1m points of 100%			
20-year National Gilt	117-05	117-28	117-05

CANADA
HIGHER OIL, industrial and metal issues pulled other sectors higher in Toronto trading.

Hiram Walker will remain suspended until October while its shareholders decide on a merger with Gulf Canada. Meanwhile, Gulf firmed CS 1/4 to CS14 1/4.

Most sectors joined in Montreal's advance.

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___ 1/2 ticket(s) £ 126,- or US \$ 189,- or DM 378,- each

___ 1/4 ticket(s) £ 66,- or US \$ 99,- or DM 198,- each

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Street _____

City _____

Country _____

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April 1986